

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
For the Year Ended December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
East Side Fire Protection District No. 5
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities of East Side Fire Protection District No. 5, a component unit of the City of Baton Rouge, as of December 31, 2010, and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of East Side Fire Protection District No. 5. Our responsibility is to express an opinion on these component unit financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and fund information of East Side Fire Protection District No. 5, as of December 31, 2010, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2011, on our consideration of East Side Fire Protection District No. 5's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 6 and supplemental information on pages 31 - 33 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Latuso & Johnson, CPA, LLC

Latuso & Johnson, CPA, LLC
Baton Rouge, Louisiana
April 20, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

Within this section of the East Side Fire Protection District No. 5's annual financial report, the District's management provides narrative discussion and analysis of the financial activities of the district for the fiscal year ended December 31, 2010. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section.

Financial Highlights

The District's assets exceeded its liabilities by \$4,997,589 (net assets) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$5,089,787.

- Total net assets are comprised of the following:
 1. Capital assets, net of related debt, of \$2,692,847 including property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 2. Unrestricted net assets of \$2,317,707 represent the portion available to maintain the District's continuing obligations to citizens and creditors
 3. Designated for compensation absences of \$200,253.
- The District's governmental funds reported a total ending fund balance of \$2,630,355 this year. This compares to the prior year ending fund balance of \$2,370,084, showing an increase of \$260,271 during the current year.
- Total liabilities of the District increased by \$640,446 to \$3,022,258 during the fiscal year.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The District also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements (Full Accrual Basis)

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Assets*. This is the District's statement of position presenting information that includes all of the District's assets and liabilities, with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Evaluation of the overall economic health of the District would extend to other non-financial factors such as diversification of the taxpayer base in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities* which reports how the District's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's activities and functions on revenues provided by the District's taxpayers.

Fund Financial Statements (Modified Accrual Basis)

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives.

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the District as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The District's net assets at year-end are \$5,010,554. This is a decrease of \$79,233 over last year's net assets of \$5,089,787. The following table provides a summary of the District's net assets:

Summary of Net Assets (Government Wide)

	<u>2010</u>	<u>2009</u>	<u>Amount Change</u>	<u>% Change</u>
Current and other assets	\$ 2,835,103	\$ 2,821,361	\$ 13,742	.05%
Capital assets	7,128,250	6,620,500	507,750	7.67%
Accumulated depreciation	<u>(1,930,541)</u>	<u>(1,970,262)</u>	<u>39,721</u>	<u>2.02%</u>
Total assets	<u>8,032,812</u>	<u>7,471,599</u>	<u>561,213</u>	<u>7.51%</u>
Current liabilities	404,092	371,922	32,170	8.65%
Long-term liabilities	<u>2,618,166</u>	<u>2,009,890</u>	<u>608,276</u>	<u>30.27%</u>
Total liabilities	<u>3,022,258</u>	<u>2,381,812</u>	<u>640,446</u>	<u>26.89%</u>
Net assets:				
Invested in capital assets, net of related debt	2,692,847	2,624,757	68,090	2.60%
Unrestricted	<u>2,317,707</u>	<u>2,465,030</u>	<u>(147,323)</u>	<u>5.98%</u>
Total net assets	<u>\$ 5,010,554</u>	<u>\$ 5,089,787</u>	<u>\$ (79,233)</u>	<u>1.56%</u>

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's changes in net assets:

Summary of Changes in Net Assets (Government Wide)

	<u>2010</u>	<u>2009</u>	<u>Amount Change</u>	<u>% Change</u>
Revenues:				
Ad valorem taxes	\$1,625,775	\$1,796,318	\$(170,543)	-9.50%
Inter-governmental	220,188	256,176	(35,988)	-14.05%
Fire Protection user charges	225,260	296,251	(70,991)	-23.97%
Interest	14,118	9,643	4,475	46.41%
Miscellaneous	1,945	18,808	(16,863)	-89.66%
Insurance rebate	<u>49,169</u>	<u>54,929</u>	<u>(5,760)</u>	<u>-10.49%</u>
Total Revenues	<u>2,136,455</u>	<u>2,432,125</u>	<u>(295,670)</u>	<u>-12.16%</u>
Expenses:				
Public safety	2,107,396	1,713,129	394,267	23.02%
Debt service	<u>108,292</u>	<u>113,370</u>	<u>(5,078)</u>	<u>-4.48%</u>
Total expenditures	<u>2,215,688</u>	<u>1,826,499</u>	<u>389,189</u>	<u>21.31%</u>
Net change in net assets	(79,233)	605,626	(684,859)	-113.08%
Net assets, beginning of year	<u>5,089,787</u>	<u>4,484,161</u>	<u>605,626</u>	<u>13.51%</u>
Net assets, end of year	<u>\$5,010,554</u>	<u>\$5,089,787</u>	<u>\$ (79,233)</u>	<u>\$-1.56%</u>

General Fund Budgetary Highlights

The General Fund revised budget for fiscal year 2010 included revenues of \$2,198,595. This was an increase of \$340,445 over the previous year budget. The General Fund budget complied with financial policies approved by the District's Board of Commissioners.

Capital Asset and Debt Administration

Capital assets

The District's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of December 31, 2010 and 2009, were \$5,197,709 and \$4,650,239, respectively.

The total increase in net investment was 11.8%. Major capital additions during 2010 were the purchase of two fire trucks totaling approximately \$730,000.

Capital Assets at Year-end

	<u>2010</u>	<u>2009</u>	<u>% of Change</u>
Land	\$ 469,785	\$ 469,785	-
Buildings and improvements	3,722,767	3,722,767	-
Equipment and vehicles	<u>2,935,698</u>	<u>2,427,949</u>	<u>20.9%</u>
Totals	7,128,250	6,620,501	7.6 %
Accumulated Depreciation	<u>(1,930,541)</u>	<u>(1,970,262)</u>	<u>(2.0)%</u>
Net Book Value	<u>\$ 5,197,709</u>	<u>\$ 4,650,239</u>	<u>11.8%</u>

There were \$811,393 in additions to fixed assets in 2010.

Long-Term Debt

At the end of the year, the District had total bond debt outstanding of \$2,504,862. At the end of the year, the District had total debt relating to capital leases of \$1,207,362 and \$1,297,500 related to certificate of indebtedness.

The capital leases were entered into for the purchase of fire trucks. Proceeds of leases in 2010 amounted to \$757,480.

The certificate of indebtedness are secured by and payable solely from the pledge and dedication of the excess of annual revenues of the District above statutory, necessary and usual charges.

	<u>2010</u>	<u>2009</u>	<u>% of Change</u>
Certificate of indebtedness	\$1,297,500	\$1,513,750	(14.3)%
Capital leases	<u>1,207,362</u>	<u>511,750</u>	<u>135.9 %</u>
	<u>\$2,504,862</u>	<u>\$2,025,500</u>	<u>23.7 %</u>

Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pensions", was adopted during the year ended December 31, 2009. This standard establishes new accounting standards for Post Retirement Benefits Other Than Pensions (OPEB). The new standard requires accrual based accounting for the OPEB obligation rather than the pay-as-you-go method previously reported, which resulted in a net OPEB obligation of \$72,323 for the current year. More detailed information is available in the notes to the financial statements.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have questions about this report or would like to request additional information, contact the District's Chief S Dale Hancock, East Side Fire Protection District No.5, 15094 Old Hammond Highway, Baton Rouge, Louisiana 70816.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

		<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$	842,787
Due from other governments		879,322
Property taxes receivable - net		983,321
Accounts receivable, user fees - net		120,931
Accounts receivable- other		6,252
Prepaid expenses		2,490
Capital Assets :		
Land and buildings		4,192,552
Equipment		1,501,192
Equipment under capital lease		1,434,506
Accumulated depreciation		(1,930,541)
Total Capital Assets (net of depreciation)		<u>5,197,709</u>
Total Assets	\$	<u><u>8,032,812</u></u>
LIABILITIES		
Accounts payable	\$	26,228
Accrued expenses and benefits payable		24,856
Accrued interest payable		59,647
Current portion of long term liabilities		293,361
Long-term Liabilities (net of current maturities) :		
Bonds payable		1,081,250
Obligations under capital leases		1,130,251
Compensated absences payable		263,003
OPEB liability		143,662
Total Liabilities	\$	<u>3,022,258</u>
NET ASSETS		
Invested in capital assets, net of related debt		2,692,847
Designated for compensated balances		200,235
Unrestricted		2,117,472
Total net assets	\$	<u><u>5,010,554</u></u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
 CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Expenses</u>	<u>Program Revenues Fees and Charges For Services</u>	<u>Net Expenses & Revenues and Changes in Net Assets Governmental Activities</u>
Governmental:			
Fire protection:			
Payroll and related expenses	\$ 1,346,378	\$	\$
Depreciation	266,296		
Equipment	156,941		
Contract services	97,248		
Insurance	67,034		
Occupancy	65,038		
Miscellaneous	43,163		
Supplies	40,912		
Training	24,386		
Total fire protection	2,107,396	225,260	(1,882,136)
Interest and fiscal charges	108,292		(108,292)
Total governmental activities	\$ 2,215,688	\$ 225,260	\$ (1,990,428)

General revenues:

Property taxes, levied for fire protection	1,625,775
Intergovernmental	220,188
Insurance rebate	49,169
Interest	14,118
Miscellaneous	1,945
Total general revenues and transfers	1,911,195
Change in net assets	(79,233)
Net assets - beginning	5,089,787
Net assets - ending	\$ 5,010,554

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
 CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA
 BALANCE SHEET
 GOVERNMENTAL FUND
 DECEMBER 31, 2010

		<u>General Fund</u>
ASSETS		
Cash and cash equivalents	\$	842,787
Due from other governments		879,323
Property taxes receivable -net		983,321
Accounts receivable - user fees		120,931
Accounts receivable- other		6,252
Prepaid expenses		2,490
Total assets	\$	<u><u>2,835,104</u></u>
 LIABILITIES AND FUND BALANCE		
Accounts payable	\$	26,228
Accrued expenses and benefits payable		24,857
Deferred revenue		140,698
Total liabilities	\$	<u>191,783</u>
 Fund balance:		
Unreserved		2,443,068
Restricted for compensated absences		200,253
Total fund balance		<u>2,643,321</u>
Total liabilities and fund balance	\$	<u><u>2,835,104</u></u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
 CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>General Fund</u>
REVENUES	
Property taxes, levied for fire protection	\$ 1,886,682
Fire protection service charges	232,436
Intergovernmental	220,188
Insurance rebate	49,168
Miscellaneous	1,945
Interest	<u>14,118</u>
 Total revenues	 <u>2,404,537</u>
EXPENDITURES	
Current:	
Fire protection	2,510,709
Debt Service:	
Principle payments on bond and leases	278,099
Interest payments	<u>99,972</u>
 Total expenditures	 <u>2,888,780</u>
 Excess of expenditures over revenues	 (484,243)
OTHER SOURCES	
Proceeds of capital leases	<u>757,480</u>
 Change in net assets	 273,237
 Fund balance - beginning	 <u>2,370,084</u>
 Fund balance - ending	 <u>\$ 2,643,321</u>

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
 CITY OF BATON ROUGE
 PARISH OF EAST BATON ROUGE, LOUISIANA
 RECONCILIATION OF GOVERNMENTAL FUNDS
 BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 December 31, 2010

Fund Balances - Governmental Fund \$ 2,643,321

Total *net assets* reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land and buildings	\$ 4,192,552	
Equipment	1,501,192	
Equipment under capital lease	1,434,506	
Accumulated depreciation	<u>(1,930,541)</u>	
		5,197,709

Some of the District's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds.

Property taxes	\$ 126,142	
Service fees	<u>14,556</u>	
		140,698

Capital leases, compensated absences and other long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities.

Balances at December 31, 2010

Current portion of long term liabilities	\$ (293,361)	
Bonds payable-long term	(1,081,250)	
Obligation under capital lease	(1,130,251)	
Accrued interest on bonds and leases	(59,647)	
Compensated absences	(263,003)	
OPEB liability	<u>(143,662)</u>	
		<u>(2,971,174)</u>

Total net assets of governmental activities \$ 5,010,554

The accompanying notes are an integral part of these financial statements.

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA
RECONCILIATION OF STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
December 31, 2010

Net change in fund balance - total governmental fund \$ 273,237

The change in *net assets* for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities only the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$813,766) exceeded depreciation (\$266,296) 547,470

Repayment of bonds and notes is an expenditure in the governmental funds but reduces the liability in the statement of net assets. 278,099

Governmental funds report the gross proceeds from disposed assets. -

Proceeds of capital leases (757,480)

Under the modified accrual basis of accounting used in the governmental funds, revenues are not recognized for transactions that are normally not available within 60 days after year end. In the statement of activities however, which is presented on the accrual basis, revenues are reported regardless of when they are expected to be received. This amount combines the changes in deferred revenues in the following accounts:

Property taxes	\$	126,145	
Service fees		14,553	
Prior year deferred income		<u>(408,781)</u>	
			(268,083)

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds. In the statement of activities, expenses are reported regardless of when financial resources will be used to satisfy them. Interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This amount combines the following net changes:

Accrued interest not recognized as expense in fund financial statements	\$	(8,320)	
Increase in compensated absences		(72,817)	
Increase in OPEB liability		<u>(71,339)</u>	
			(152,476)

Change in net assets of governmental activities \$ (79,233)

The accompanying notes are an integral part of these financial statements.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Formation and Operation

East Side Fire Protection District No. 5 (the District) is a component unit of the City of Baton Rouge, Parish of East Baton Rouge, Louisiana (the City-Parish). A five-member board governs the District. The board members are appointed by the City-Parish Metropolitan Council and are not compensated. Effective January 1, 1994, the District became a separate operational unit acting independently from the City-Parish, pursuant to an intergovernmental agreement between the City-Parish and the District.

The purpose of the District is to provide fire protection for the citizens of the District. The District serves approximately 5,000 households and other business establishments. The total estimated population served is approximately 19,800. The District employs nine permanent full-time employees and various other permanent and contract part-time employees. However, many of the District's services are still provided through volunteers. No value is attributed to the volunteer services in the accompanying financial statements.

B. Basis for Presentation and Accounting

The accompanying financial statements of the District as of December 31, 2010 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the primary standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of LRS 24:514 and the Louisiana Governmental Audit Guide.

Government-wide Statements: The statement of net assets and the statement of activities display information about the District. The District's activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. The government-wide financial statements are reported using the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, including property taxes and user fees, are recorded in the year assessed.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

Government-wide Statements - (Continued):

The statement of activities presents a comparison between direct expenses and program revenues for the activities of the District. Program revenues include user fees paid by the property owners in the District.

Fund Financial Statements: The fund financial statements provide information about the District's activities, all of which are reported in the general fund. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and user fees are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures only to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

General fund: This is the District's operating fund. It accounts for all financial resources of the District.

C. Reporting Entity

As the governing authority, for reporting purposes, the City-Parish is the primary government. Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the City-Parish for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. Because the City-Parish Metropolitan Council appoints the District's governing body and

- (1) Has the ability to impose its will on the District, and
- (2) The District has the potential to provide specific financial benefits to or impose specific financial burdens on the City-Parish

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

C. Reporting Entity - (Continued):

The District was determined to be a component unit of the City-Parish. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City-Parish, the general government services provided by that primary government, or the other general governmental units that comprise the City-Parish financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the City-Parish, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

D. Budget

The 2010 budget was prepared in 2009 by the Chief, and ratified by the Board of Commissioners. A public hearing was held on December 21, 2009 and the budget became effective January 1, 2010. The budget was revised once during 2010 and a public hearing was held on December 15, 2010 to ratify the revisions. The budget for the District is prepared on the cash basis. Revenues and receipts are budgeted in the year receipt is expected, and expenditures and disbursements are budgeted in the year that the purchases are made. No budget distinction is made between the capital projects and general funds.

The accompanying Budgetary Comparison Schedule presents comparisons of the legally adopted budget with actual data. Because accounting principles applied for purposes of developing data on a budgetary basis differs significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, timing, perspective, and entity differences in the excess of revenues and other sources of financial resources over expenditures and other uses of financial resources for the year ended December 31, 2010 is presented below:

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

D: Budget - (Continued):

Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (Budgetary basis)		\$(310,887)
Adjustments:		
To adjust revenues for increase (decrease) in accrued income:		
Intergovernmental	\$ (1,254)	
Property taxes	216,718	
Other receivables	3,572	
User fees	<u>66,470</u>	
To adjust for accrued income		285,506
To adjust for decrease in prepaid expenses		(879)
To adjust expenditures for (increase) decrease in accrued expenses:		
Accounts payable	(6,797)	
Accrued salary and benefits	(1,791)	
Accrued interest payable	(8,320)	
Compensated absences	<u>(32,817)</u>	
To adjust accrued expenses		(49,725)
To adjust capital outlay and depreciation:		
Capital lease proceeds	(757,480)	
Capital outlay capitalized in statement of net assets	813,768	
Depreciation recorded in statement of activities	(266,296)	
Net book value of capitalized assets disposed	-	
Principal payment on long term debt	278,099	
OPEB liability	<u>(71,339)</u>	
To adjust for other financing sources		<u>(3,248)</u>
Excess of revenues and other sources of financial resources over expenditures and other uses of financial resources (GAAP basis)		<u><u>\$ (79,233)</u></u>

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

E. Encumbrances

The District does not use an encumbrance system of accounting. The books are kept on the cash basis and the financial statements are prepared on the modified accrual basis of accounting.

F. Cash and Cash Equivalents

Cash and cash equivalents includes amounts in demand deposits, interest-bearing demand deposits and time deposit accounts. The District considers short-term (maturity of 90 days or less), highly liquid investments as cash equivalents. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts or time deposits with state banks organized under Louisiana Law and national banks having their principal offices in Louisiana.

Cash and cash equivalents restricted for use on designated projects are reported separately from operating funds.

G. Fixed Assets and Depreciation

Fixed assets are recorded in the fund financial statements as expenditures at time of purchase and are capitalized in the Statement of Net Assets. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value on the date received. Assets over \$1,000 are capitalized.

In June 1999, GASB No. 34 was issued requiring the inclusion and depreciation of the District's infrastructure, retroactive to 1982 if applicable. Such assets have been depreciated using the straight-line method over their estimated useful lives from date of acquisition as follows:

	<u>Approximate Life in Years</u>
Buildings	50
Equipment	5-10
Equipment under capital leases	5-10
Vehicles	5-10

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (CONTINUED)

H. Compensated Absences

All employees accrue vacation and sick leave based on the years of service. A cash payment may be made for accumulated sick leave upon termination or separation of employment, not to exceed 168 days. Full-time employees earn vacation at a rate of eighteen days per year. Compensated absences payable represents the accrued vacation pay and the vested accrued sick pay.

I. Long-Term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the Statement of Net Assets.

J. Net Assets/Fund Balance – In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The components of net assets are as follows:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
2. Restricted Net Assets - Consists of net assets less related liabilities reported in the government-wide statement of net assets that are subject to constraints on their use by creditors, grantors, contributors or legislation.
3. Unrestricted Net Assets – Represent net assets not appropriable for expenditures or legally segregated for a specific future use.
4. Designated for Compensated Balances - Consists of the portion of unrestricted net assets designated to fund the future payment of compensated balances.

K. Prepaid Expense

Prepaid balances are for payments made by the District in the current year to provide services occurring in a subsequent fiscal year.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 2: CASH AND CASH EQUIVALENTS

At December 31, 2010 the District had cash and cash equivalents in two interest bearing demand deposits totaling \$842,787.

Total Bank balance for these deposits was \$848,437.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2010, the District had deposits (collected bank balances) secured from risk by \$250,000 of federal deposit insurance and over \$1,650,000 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3: PROPERTY TAXES

The Sheriff of East Baton Rouge Parish, as provided by LRS 33:1435, is the official tax collector of general property taxes levied by the Parish and Parish Special Districts. December tax collections remitted to the District by the Sheriff in January are reported as "Due from other governments".

The 2010 property tax calendar was as follows:

Levy date	December 9, 2009
Millage rates adopted	December 9, 2009
Tax notices mailed	November 29, 2010
Due date	December 31, 2010
Lien date	January 1, 2011

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 3: PROPERTY TAXES - (CONTINUED)

State law requires the Sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, they bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the Sheriff is required to sell a portion or all of the property to settle the taxes and interest owed. Therefore, a substantial portion of the taxes are collected by year-end.

An allowance for uncollectible taxes is deducted from the gross taxes assessed and recorded in the current year. Uncollectible taxes are those taxes which, based on historical data, are not expected to be collected in the subsequent year and are primarily due to subsequent adjustments of the tax rolls. All of the property taxes receivable is recorded on the government wide financial statements.

Available means due, or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period. The property taxes collected by the sheriff within 60 days of year end are considered available and are recorded as such on the governmental fund financial statements.

Property taxes are assessed by the East Baton Rouge Assessor's Office and collected by the Sheriff's Office. The following is a summary of property taxes receivable at December 31, 2010:

Property taxes receivable	\$1,051,621
Less: allowance for uncollectible accounts	<u>(68,300)</u>
Net property taxes receivable	<u>\$ 983,321</u>

The allowance represents taxes not expected to be collected.

During December 2010 the Sheriff's office collected property taxes that were remitted to the District after year end. Taxes collected but not yet remitted totaled \$797,316 and were included in due from other governments in the accompanying financial statements.

NOTE 4: FIRE PROTECTION SERVICE CHARGES

The District is empowered to assess a service charge of \$32 for each residential and commercial structure in the District.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 4: FIRE PROTECTION SERVICE CHARGES - (CONTINUED)

During December 2010 the Sheriff's office collected service fees that were remitted to the District after year end. Fees collected but not yet remitted totaled \$101,190 and were included in due from other governments in the accompanying financial statements.

NOTE 5: DUE FROM OTHER GOVERNMENTS

Amounts collected for or promised to, but not yet remitted to the District are included in the accompanying financial statements as due from other governments. Amounts due from other governments at December 31, 2010 were as follows:

Due from Sheriff's Office for property taxes and service fees	\$847,727
Due from FEMA for SAFER Grant	18,630
Due from City Parish for facilities use	7,200
Due from City Parish for insurance rebate	<u>5,766</u>
Total	<u>\$879,323</u>

NOTE 6: CHANGES IN FIXED ASSETS

Following is a summary of the changes in fixed assets for the year December 31, 2010:

	<u>Land</u>	<u>Building</u>	<u>Vehicles and Equipment</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Balance at 12/31/09	\$469,785	\$3,722,767	\$2,427,949	\$(1,970,262)	\$4,650,239
Additions	-	-	813,766	(266,296)	547,470
Disposals	-	-	<u>(306,017)</u>	<u>306,017</u>	-
Balance at 12/31/10	<u>\$469,785</u>	<u>\$3,722,767</u>	<u>\$2,935,698</u>	<u>\$(1,930,541)</u>	<u>\$5,197,709</u>

Depreciation expense recorded for the year ended December 31, 2010 was \$266,296.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 7: RETIREMENT PLAN AND NET PENSION OBLIGATION

Some of the District's employees are eligible for participation in the Employees' Retirement System of the East Baton Rouge City-Parish. The District's and employee contributions for 2010 were 9.4% and 24.7%, respectively, of the covered employees' wages. Required contributions for 2010 were approximately \$146,000. Covered payroll for the year was \$592,000. There were no unfunded contributions at December 31, 2010.

The financial report for the retirement system may be obtained by writing to:

Retirement Administrator
Employees' Retirement System
City of Baton Rouge, Parish of East Baton Rouge
P. O. Box 1471
Baton Rouge, Louisiana 70821-1471

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS

In December 2004, the District entered into a lease purchase for a new fire truck. The cost of the asset and enhancements was \$700,000, to be repaid in 10 annual installments of principal and interest totaling \$90,136. The interest rate was calculated to be 5.48%.

In 2006 the District issued ten long-term certificates of indebtedness to a local bank in the aggregate amount of \$2,000,000 payable over a ten year period at various stated rates ranging from 4.7% to 5.2%, to build a new fire station. The certificates are secured by and payable solely from a pledge and dedication of the excess of annual revenues of the District above statutory, necessary, and usual charges in each of the fiscal years during which the certificate is outstanding.

During 2010, the District entered into two lease purchase agreements to purchase two fire trucks. The first lease for \$543,332 is to be repaid in annual installments ranging from \$30,000 to \$50,000, with the balance of \$462,749 due in July, 2017. The annual installment include interest at 4.5%. The second lease for \$214,148 requires annual installments ranging from \$17,000 to \$27,000 with the balance of \$106,744 due in October, 2020. The installments include interest at 5%.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions and balances during the year:

	<u>Compensated Absences</u>	<u>Capital Leases</u>	<u>Bond Debt</u>	<u>Totals</u>
Balance at 12/31/09	\$190,185	\$ 511,731	\$1,513,750	\$2,215,666
Additions	72,817	757,480	-	830,297
Deductions/repayments	-	(61,849)	(216,250)	(278,099)
Balance at 12/31/10	<u>\$263,002</u>	<u>\$1,207,362</u>	<u>\$1,297,500</u>	<u>\$2,767,864</u>

The annual principal payments on long-term obligations outstanding at December 31, 2010, are as follows:

December 31,	<u>Construction Bond</u>	<u>Capital Leases</u>	<u>Total</u>
2011	\$ 216,250	\$ 77,111	\$ 293,361
2012	216,250	81,283	297,533
2013	216,250	95,681	311,931
2014	216,250	100,769	317,019
2015	216,250	116,128	332,378
2016-2020	<u>216,250</u>	<u>736,390</u>	<u>952,640</u>
Total	<u>\$1,297,500</u>	<u>\$1,207,362</u>	<u>\$2,504,862</u>

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 8: CHANGES IN LONG-TERM OBLIGATIONS - (CONTINUED)

The annual interest payments on long-term obligations outstanding at December 31, 2010, are as follows:

December 31,	<u>Construction Bond</u>	<u>Capital Leases</u>	<u>Total</u>
2011	\$ 60,118	\$ 60,025	\$ 120,143
2012	49,467	55,853	105,320
2013	38,709	51,455	90,164
2014	27,842	46,367	74,209
2015	16,813	41,008	57,821
2016-2020	<u>5,623</u>	<u>81,241</u>	<u>86,864</u>
Total	<u>\$198,572</u>	<u>\$335,949</u>	<u>\$534,521</u>
Interest Accrued at December 31, 2009			\$ 51,327
Expense included in statement of Activities			108,292
Interest paid			<u>(99,972)</u>
Interest accrued at December 31 2010			<u>\$ 59,647</u>

NOTE 9: SUPPLEMENTAL PAY

The statement of activities reflects income and program expenses of \$50,282 for supplemental pay from the State of Louisiana paid directly to the covered employees. This amount was recorded in revenue and an offsetting expenditure was recorded in payroll and related expenses.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 10: DEFERRED COMPENSATION PLAN

During 2006, the District adopted a deferred compensation plan created in accordance with Section 457 of the Internal Revenue Code of 1986. The assets of the plan are held in trust as described in IRC Section 457(g) for the exclusive benefit of participants and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this plan, and the assets may not be diverted to any other use. The administrators are agents of the employer for purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with provisions of GASB Statement No. 32, plan balances and activities are not reflected in the District's financial statements. The total deferrals as of December 31, 2010 were \$28,214.

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The East Side Fire District No. 5 OPEB plan is a single-employer defined benefit "substantive plan" as understood by the employer and its employees. The plan provides health insurance benefits to eligible retirees and their spouses. There is no written plan that exists or is sanctioned by law. The OPEB plan is reported based on communications to plan members. The OPEB plan does not issue a stand-alone financial report.

There are presently 16 active members and 1 retiree receiving benefits.

Retirees may continue their coverage paying the same premiums and receiving the same benefits as they did ten years before their retirement.

Funding Policy

The health plan was funded with employer payment of the premiums. The employer portion of pay-as-you-go OPEB insurance premiums are allocated over all participants in the OPEB plan.

The employer contributions to the OPEB plan totaled \$141,194 which approximates 17% of gross payroll.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)

Annual OPEB cost and net OPEB obligation

The District's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized as unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the actual amount contributed to the plan, and changes in the district's net OPEB obligation to plan.

Annual required contribution (ARC)	\$ 90,708
Interest on net OPEB obligation	1,446
Adjustment to annual required contribution	<u>(1,759)</u>
Annual OPEB cost	90,395
Age adjusted contributions made	<u>(19,056)</u>
Change in net OPEB obligation	71,339
Net OPEB obligation - Beginning of Year	<u>72,323</u>
Net OPEB obligation - End of Year	<u>\$143,662</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years follows. The information for the year ended December 31, 2010 and 2009, was calculated by an actuary as of December 31, 2010:

	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Increase to Net OPEB Obligation</u>	<u>Net OPEB Obligation</u>
December 31, 2009	\$87,219	17.1%	\$72,323	\$72,323
December 31, 2010	\$90,395	21.1%	\$71,339	\$143,662

Funding Status and Funding Progress

The funding status of the plan as of December 31, 2010, from the most recent actuarial valuation shows the plan is unfunded by \$71,339. The covered payroll (annual payroll of active employees covered by the plan) was \$578,982 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 302.8%.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS - (CONTINUED)

Actuarial valuation of an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funding status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used included techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The individual entry age-actuarial cost method was used for the December 31, 2010 actuarial valuation. Because the district currently finances OPEB using a pay-as-you-go approach, the discount rate is based on the historical (and expected investments that are expected to be used in financing the payment of benefits). The actuarial assumptions included a two percent investment rate of return. Life expectancies were based on the RP2000 Mortality Table set forward ten years. Turnover rates were based on standard turnover assumptions. The agency's unfunded actuarial accrued liability is being amortized using a level percentage of payroll with an amortization period of 30 years.

**EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA**

**NOTES TO FINANCIAL STATEMENTS
Year Ended December 31, 2010**

NOTE 12: LEASE COMMITMENTS

The Company leases office equipment under a noncancellable five year operating lease.

The following is a schedule by years of future minimum lease payments required under the noncancellable operating lease as of December 31:

Year Ended <u>December 31:</u>	
2011	\$3,917
2012	3,917
2013	<u>1,306</u>
Total:	<u>\$9,140</u>

NOTE 13: SUBSEQUENT EVENTS

After December 31, 2010, construction of the second fire truck was completed for an additional cost of \$315,206.

Management of the District has evaluated all subsequent events through April 20, 2011, the date the financial statements were available to be issued. No additional disclosures by management are considered necessary.

NOTE 14: BOARD OF COMMISSIONERS

The District is governed by a Board of Commissioners. The members receive no compensation or per diem allowances for their service.

Latuso and Johnson CPA, LLC

Certified Public Accountants

11929 Bricksome Ave. • Baton Rouge, LA 70816

Tel (225) 293.8300 • Fax (225) 293.8303

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND ON OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Eastside Fire Protection District No. 5
Baton Rouge, Louisiana

We have audited the financial statements of the Eastside Fire Protection District No. 5 (the District), a component unit of the City of Baton Rouge/ Parish of East Baton Rouge, as of and for the year ended December 31, 2010 which comprises the District's basic financial statements and have issued our report thereon dated April 20, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.



Baton Rouge, Louisiana
April 20, 2011

EAST SIDE FIRE PROTECTION DISTRICT No. 5
 Non GAAP Basis
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Original Budget	Final Budget	Actual Budgetary Basis	Variances from Final Budget Positive (Negative)
REVENUES				
Property taxes	\$ 1,750,000	\$ 1,774,000	\$ 1,409,058	\$ (364,942)
Insurance taxes	55,000	49,168	49,168	-
Charges for services	237,000	210,000	158,790	(51,210)
Intergovernmental	124,000	150,000	221,442	71,442
Interest earnings	7,000	12,900	14,118	1,218
Other revenue	1,890	2,527	1,945	(582)
Total revenues	<u>2,174,890</u>	<u>2,198,595</u>	<u>1,854,521</u>	<u>(344,074)</u>
EXPENDITURES				
Payroll and related expenses	1,037,000	1,122,643	1,189,624	(66,981)
Miscellaneous	115,000	117,500	94,656	22,844
Equipment	151,000	138,300	141,484	(3,184)
Insurance	69,000	70,000	70,606	(606)
Occupancy	63,000	65,000	65,038	(38)
Supplies	38,000	40,500	38,536	1,964
Training	25,000	23,000	24,790	(1,790)
Contract services	87,000	98,300	96,165	2,135
Total operating expenditures	<u>1,585,000</u>	<u>1,675,243</u>	<u>1,720,899</u>	<u>(45,656)</u>
CAPITAL OUTLAY				
Proceeds of capital leases	-	-	(757,480)	757,480
Principle and interest payments	377,046	377,046	378,071	(1,025)
Capital Outlays	565,000	450,000	823,918	(373,918)
Total capital outlay	<u>942,046</u>	<u>827,046</u>	<u>444,509</u>	<u>382,537</u>
Net increase in assets	<u>\$ (352,156)</u>	<u>\$ (303,694)</u>	<u>\$ (310,887)</u>	<u>\$ 7,193</u>

See auditors' report

EAST SIDE FIRE PROTECTION DISTRICT NO. 5
CITY OF BATON ROUGE
PARISH OF EAST BATON ROUGE, LOUISIANA

SCHEDULE OF CURRENT YEAR FINDINGS AND QUESTIONED COST
Year Ended December 31, 2010

Summary of Auditor's Results

Financial Statements

Type of report issued	Unqualified
Internal control over financial reporting:	
- Material weaknesses identified	___ yes <u> x </u> no
- Significant deficiency (ies) identified that are not considered to be material weaknesses.	___ yes <u> x </u> none reported
Noncompliance material to financial notes	___ yes <u> x </u> no
Financial Statements Findings	None
Findings and Questioned Cost	None