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ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 1999

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.

Release Date 8-30-00

**Ericksen, Krentel, Canton & LaPorte, L.L.P.**  
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## INDEPENDENT AUDITORS' REPORT

St. Rose Volunteer Fire Department, Inc.  
P.O. Box 399  
St. Rose, Louisiana 70087

We have audited the accompanying general purpose financial statements of the St. Rose Volunteer Fire Department, Inc. as of and for the year ended December 31, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the St. Rose Volunteer Fire Department, Inc.'s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Rose Volunteer Fire Department, Inc. as of December 31, 1999, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 19, 2000 on our consideration of St. Rose Volunteer Fire Department, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

June 19, 2000

  
Certified Public Accountants

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 1999**

**ASSETS AND PROVISIONS**

|                            | Governmental      | Account             | Totals              |                     |
|----------------------------|-------------------|---------------------|---------------------|---------------------|
|                            | Fund Type         | Group               | (Memorandum Only)   |                     |
|                            | General           | General             |                     |                     |
|                            | Fund              | Fixed Assets        | 1999                | 1998                |
| Cash                       | \$ 315,885        | -                   | \$ 315,885          | \$ 239,584          |
| Due from Parish (Note 3)   | 7,584             | -                   | 7,584               | 10,894              |
| Fire protection vehicles   | -                 | 618,317             | 618,317             | 618,317             |
| Equipment                  | -                 | 608,779             | 608,779             | 578,838             |
| Buildings                  | -                 | 209,097             | 209,097             | 209,097             |
| Land                       | -                 | 34,150              | 34,150              | 34,150              |
| Debt retirement provision  | -                 | -                   | -                   | 55,077              |
|                            | <u>\$ 323,469</u> | <u>\$ 1,470,343</u> | <u>\$ 1,793,812</u> | <u>\$ 1,745,957</u> |
| Total assets and provision |                   |                     |                     |                     |

**LIABILITIES AND FUND EQUITY**

**LIABILITIES:**

|                       |               |          |               |               |
|-----------------------|---------------|----------|---------------|---------------|
| Accounts payable      | \$ 25,229     | -        | \$ 25,229     | \$ 23,576     |
| Note payable (Note 4) | -             | -        | -             | 55,077        |
|                       | <u>25,229</u> | <u>-</u> | <u>25,229</u> | <u>78,653</u> |
| Total liabilities     |               |          |               |               |

**FUND EQUITY:**

|   |                   |                     |                     |                     |
|---|-------------------|---------------------|---------------------|---------------------|
| Fixed asset investment                  | -                 | 1,470,343           | 1,470,343           | 1,440,402           |
| Fund balance - unreserved, undesignated | 298,240           | -                   | 298,240             | 226,902             |
|   | <u>298,240</u>    | <u>1,470,343</u>    | <u>1,768,583</u>    | <u>1,667,304</u>    |
| Total fund equity                       |                   |                     |                     |                     |
| Total liabilities and fund equity       | <u>\$ 323,469</u> | <u>\$ 1,470,343</u> | <u>\$ 1,793,812</u> | <u>\$ 1,745,957</u> |

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

|   | <u>1999</u> | <u>Totals<br/>(Memorandum<br/>Only)<br/>1998</u> |
|---|-------------|--|
| <b><u>REVENUES:</u></b>                     |             |  |
| Sales tax - 1/8 cent                        | \$ 191,051  | \$ 210,426                                       |
| Operations and capital improvements millage | 104,750     | 104,456  |
| Fire insurance rebate                       | 11,002      | 10,189   |
| Other revenues                              | 11,631      | 10,052   |
|   | <hr/>       | <hr/>  |
| Total revenues                              | 318,434     | 335,123  |
|   | <hr/>       | <hr/>  |
| <b><u>EXPENDITURES:</u></b>                 |             |  |
| Utilities:                                  |             |  |
| Electricity, water and gas                  | 8,405       | 6,765  |
| Telephone                                   | 6,021       | 5,501  |
| Equipment:                                  |             |  |
| Maintenance                                 | 26,079      | 31,436   |
| Fuel  | 2,263       | 2,537  |
| Insurance                                   | 19,832      | 17,535   |
| Buildings:                                  |             |  |
| Maintenance                                 | 23,932      | 9,053  |
| Architect and survey fees                   | -           | 21,564   |
| Firefighting expenditures:                  |             |  |
| Fire fighting supplies                      | 11,586      | 14,472   |
| Training                                    | 8,772       | 8,866  |
| Emergency system access                     | 20,000      | -  |
| Miscellaneous:                              |             |  |
| Accounting and auditing                     | 3,000       | 2,736  |
| Legal fees                                  | 4,648       | 780  |
| Office expenses                             | 4,576       | 5,059  |
| Meetings and other                          | 20,122      | 16,932   |
| Dues and subscriptions                      | 75          | 792  |
| Account group activity:                     |             |  |
| Equipment purchases                         | 29,941      | 92,396   |
| Debt retirement                             | 55,077      | 20,255   |
| Interest                                    | 2,767       | 3,919  |
|   | <hr/>       | <hr/>  |
| Total expenditures                          | 247,096     | 260,598  |
|   | <hr/>       | <hr/>  |
| EXCESS REVENUES OVER EXPENDITURES           | 71,338      | 74,525   |
| BEGINNING FUND BALANCE, JANUARY 1           | 226,902     | 152,377  |
|   | <hr/>       | <hr/>  |
| ENDING FUND BALANCE, DECEMBER 31            | \$ 298,240  | \$ 226,902                                       |
|   | <hr/>       | <hr/>  |

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS



**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The St. Rose Volunteer Fire Department, Inc. (Fire Department) receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Fire Department is a "primary government" and is not included as a component unit of any other St. Charles Parish governmental "reporting entity" as defined in GASB pronouncements, since the entity is a non-profit corporation, and the board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Fire Department includes all activities that are controlled by it as a quasi-public non-profit corporation organized to provide protection to the Parish of St. Charles. The Fire Department has no component units.

The accounting and reporting policies of the Fire Department conform to generally accepted accounting principles as applicable to governmental units.

**Fund Accounting**

The accounts of the Fire Department are organized on the basis of a fund (General Fund) and account groups, each of which is considered a separate accounting entity. The operations of the General Fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Fire Department records are maintained on a cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures.

**Revenues**

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 20th day of the month following incurrence of the taxes by businesses.

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 1999**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Revenues (Continued)

A ten year ad valorem tax issue was dedicated to the operations of the Fire Departments beginning in 1991. Each department is to receive one-ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

Interest income on investments is recorded when the investments have matured and income is available. All other revenues are recorded when received.

The majority of the Fire Department's revenues are derived from the one-eighth of one percent sales tax and the ad valorem tax for operations.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt which is not recognized until due.

Cash and Cash Equivalents

The Department is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, and the laws of the United States. The department may also invest in time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits must be secured by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent. At December 31, 1999, the carrying amount of the Department's deposits was \$315,885, and the bank balance was \$317,108, classified as follows:

|                                |                   |
|--------------------------------|-------------------|
| Federally insured              | \$ 215,469        |
| Collateralized                 | 34,502            |
| Uninsured and uncollateralized | <u>67,137</u>     |
|                                | <u>\$ 317,108</u> |

Budgets and Budgetary Accounting

The Fire Department was not required to prepare a budget for the year ended December 31, 1999.

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 1999**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Encumbrance Accounting**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in governmental funds.

**Fixed Assets and Long-Term Debt**

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in the General Fund. No depreciation has been provided on fixed assets. Fixed assets are valued at historical cost. Donated fixed assets are recorded at estimated fair market value at the date of donation. All fixed assets are recorded at historical cost.

Long-term liabilities expected to be financed from the General Fund are accounted for in the general long-term debt account group.

The two account groups are not "funds". They are concerned only with the measurement of financial position and do not involve measurement of results of operations.

**Total Columns**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Comparative Data**

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Fire Department's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.



**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 1999

**(2) SALES TAX REVENUE**

Effective March 1, 1980 sales taxes in the amount of one-eighth of one percent is collected by the St. Charles Parish School board and administered by the Parish President. The sales tax is to be used for fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen's Association, Inc. Effective September, 1994 the sales tax is distributed on the following basis:

|  | Monthly<br>Basis | Percent of<br>Remaining<br>Funds |
|--|------------------|----------------------------------|
| Bayou Gauche Volunteer Fire Dept., Inc.          | \$ 2,500         | 3.21%                            |
| Des Allemands Volunteer Fire Dept., Inc.         | \$ 2,500         | 4.83%                            |
| East Side St. Charles Volunteer Fire Dept., Inc. | \$ 2,500         | 23.57%                           |
| Hahnville Volunteer Fire Dept., Inc.             | \$ 2,500         | 5.92%                            |
| Killona Volunteer Fire Dept., Inc.               | \$ 2,500         | 1.56%                            |
| Luling Volunteer Fire Dept., Inc.                | \$ 2,500         | 29.00%                           |
| Norco Area Volunteer Fire Dept., Inc.            | \$ 2,500         | 10.51%                           |
| Paradis Volunteer Fire Dept., Inc.               | \$ 2,500         | 4.20%                            |
| St. Rose Volunteer Fire Dept., Inc.              | \$ 2,500         | 17.20%                           |

**(3) DUE FROM PARISH**

Revenue receivable at December 31, 1999 consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 1999, collected on or before December 20, 1999 by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2000.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 1999.

**(4) GENERAL LONG-TERM DEBT**

The following is a summary of changes in general long-term debt during the year ended December 31, 1999:

|  |    |          |
|--|----|----------|
| Long-term liabilities, beginning of period | \$ | 55,077   |
| Reductions                                 |    | (55,077) |
| Long-term liabilities, end of period       | \$ | -        |

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 1999

**(5) CHANGES IN GENERAL FIXED ASSETS**

|                          | <u>Balance<br/>1/1/99</u> | <u>Purchases<br/>1999</u> | <u>Retirements<br/>1999</u> | <u>Balance<br/>12/31/99</u> |
|--------------------------|---------------------------|---------------------------|-----------------------------|-----------------------------|
| Fire protection vehicles | \$ 618,317                | \$ -                      | \$ -                        | \$ 618,317                  |
| Equipment                | 578,838                   | 29,941                    | -                           | 608,779                     |
| Buildings                | 209,097                   | -                         | -                           | 209,097                     |
| Land                     | 34,150                    | -                         | -                           | 34,150                      |
|                          | <u>\$ 1,440,402</u>       | <u>\$ 29,941</u>          | <u>\$ -</u>                 | <u>\$ 1,470,343</u>         |

**(6) CASH**

The Fire Department maintains a separate petty cash account. The petty cash account is funded through public functions held by the Fire Department. Expenditures from this petty cash account are for expenses related to the functions. The amount in the petty cash account was not included in the financial statements and was therefore not subjected to the audit procedures of the financial statements in 1999.

**(7) RISK MANAGEMENT**

The Fire Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to firemen; and natural disasters. The Fire Department carries commercial insurance in amounts sufficient to insure itself against claims resulting from any of those risks.

**(8) ARCHITECT & SURVEY FEES**

During 1998 the Fire Department paid \$21,564 for blueprints and surveys regarding a major renovation to their existing fire station. St. Charles Parish denied the Fire Department's request for a variance on their plans which caused the Fire Department to abandon their construction plans. These fees were treated as general fund expenditures and are not included in the general fixed asset account group in the accompanying financial statements. The Fire Department is pursuing legal action against St. Charles Parish to force the Parish to grant the variance.

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 1999**

**(9) COMMITMENTS**

During 1999, the Fire Department entered into an agreement with the St. Charles Parish Law Enforcement District where it would pay for access to an 800 MHz radio communications system throughout the Parish. The Fire Department paid an initial fee of \$20,000 for access to the system and is obligated for its share of future maintenance costs on the system. Future costs have not been determined but are not expected to be material to the financial statements because the total maintenance costs will be allocated among all Parish agencies utilizing the system. Additionally, an ad valorem referendum in July of 2000, if successful, will provide operating revenues sufficient enough to eliminate the maintenance fee requirement.

**(10) CONTINGENCIES**

The Fire Department has been named as a defendant in a lawsuit arising during the normal course of business. The Plaintiff has sued the Fire Department for property damage arising out of an alleged rekindling of a fire that the Fire Department had responded to in St. Rose, Louisiana. The claim is covered by insurance and the Fire Department's insurer is defending this matter. In the event of an unfavorable outcome, the Fire Department will not be liable beyond its insurance deductible. No amounts have been recorded in the financial statements for this claim.

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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

St. Rose Volunteer Fire Department, Inc.  
P.O. Box 399  
St. Rose, Louisiana 70087

We have audited the general purpose financial statements of St. Rose Volunteer Fire Department, Inc., as of and for the year ended December 31, 1999, and have issued our report thereon dated June 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether St. Rose Volunteer Fire Department, Inc.'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 1999-2.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered St. Rose Volunteer Fire Department, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Rose Volunteer Fire Department, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1999-1 and 1999-3.



St. Rose Volunteer Fire Department, Inc.  
June 19, 2000  
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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of St. Rose Volunteer Fire Department, Inc. in a separate letter dated June 19, 2000.

This report is intended solely for the information and use of St. Rose Volunteer Fire Department, Inc., St. Charles Parish and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

June 19, 2000

  
Certified Public Accountants



**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

We have audited the financial statements of St. Rose Volunteer Fire Department, Inc. as of and for the year ended December 31, 1999, and have issued our report thereon dated June 19, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 1999 resulted in an unqualified opinion.

**SECTION I SUMMARY OF AUDITORS' REPORTS**

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses \_\_\_ Yes X No

Reportable Conditions X Yes \_\_\_ No

Compliance

Compliance Material to Financial Statements X Yes \_\_\_ No

b. Federal Awards **Not Applicable**

Internal Control

Material Weaknesses \_\_\_ Yes \_\_\_ No

Reportable Conditions \_\_\_ Yes \_\_\_ No

Type of Opinion on Compliance Unqualified \_\_\_ Qualified \_\_\_  
for Major Programs Disclaimer \_\_\_ Adverse \_\_\_

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)? \_\_\_ Yes \_\_\_ No

c. Identification of Major Programs: **Not Applicable**

| CFDA Number(s) | Name of Federal Program (or Cluster) |
|----------------|--------------------------------------|
|                |                                      |
|                |                                      |
|                |                                      |
|                |                                      |
|                |                                      |

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

Dollar threshold used to distinguish Type A and Type B Programs \$ \_\_\_\_\_

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?

Yes  No **Not Applicable**

## **SECTION II FINANCIAL STATEMENT FINDINGS**

### **1999-1 Segregation of Duties**

Criteria: Safeguarding of assets requires adequate segregation of duties in an effective internal control structure. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives regarding cash receipts and disbursements.

Effect: Intentional or unintentional errors could be made and not be detected.

Cause: The Department is small and therefore it is not feasible to maintain an adequate segregation of duties among accounting personnel. All personnel are volunteers.

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Department to provide oversight and independent review functions. The bookkeeper should not be an authorized check signer and should not have access to cash receipts. Instead, someone independent of the bookkeeper should prepare a list of checks received and should make bank deposits. The list would be given to the bookkeeper for general ledger recording.

Management's Response: Management agrees with the recommendation; however, they feel that because of the small number of personnel in the Department it is not possible to remove the bookkeeper from the depositing and check signing responsibilities. The Board of Directors, however, will continue to monitor and review all financial transactions of the Department.

### **1999-2 Collateralization of Cash Balances**

Criteria: Louisiana laws affecting local governments require that deposits in excess of the federally insured limit of \$100,000 be secured by a collateral pledge agreement between the financial institution and the local government.

Condition: Our tests of compliance revealed that cash deposits totaling \$67,137 were uninsured and uncollateralized at December 31, 1999.

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

Effect: Unsecured cash balances are at risk for loss in the event of a bank failure.

Cause: The Department and the financial institution did not execute a collateral pledge agreement with enough coverage.

Recommendation: The Department should execute adequate collateral pledge agreements with all financial institutions which hold their deposits. Management should monitor its cash balances throughout each month to avoid accumulating balances above the secured amount.

Management's Response: Management will take steps with its financial institutions to execute adequate collateral pledge agreements to secure the cash balances of the Department. Management will more closely monitor its cash level at the bank.

1999-3 Bank Reconciliations

Criteria: Adequate internal controls over cash require that monthly bank reconciliations be completed by someone independent of the cash receipts and disbursements functions.

Condition: Our evaluation of the internal control structure revealed errors in the reporting of interim cash balances.

Effect: Interim reporting of cash balances were incorrect. Without proper reconciliation and review on a timely basis, intentional or unintentional errors may occur and not be detected.

Cause: Monthly bank reconciliations were not completed for every month.

Recommendation: Someone independent of the cash receipts and cash disbursement functions should prepare monthly reconciliations of cash balances to bank statements.

Management's Response: Management will assign bank reconciliation responsibilities to someone independent of the accounting cycle.

# Ericksen, Krentel, Canton & LaPorte, L.L.P.

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\*PROFESSIONAL CORPORATION

BENJAMIN J. ERICKSEN (Retired 1998)  
J.V. LECLERE KRETEL (Retired 1993)  
RONALD H. ACKERMANN (Retired 1995)

June 19, 2000

St. Rose Volunteer Fire Department, Inc.  
P.O. Box 399  
St. Rose, Louisiana 70087

In planning and performing our audit of the financial statements of St. Rose Volunteer Fire Department, Inc. for the year ended December 31, 1999, we considered the Department's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated June 19, 2000, contains our report on reportable conditions in the Department's internal control. This letter does not affect our report dated June 19, 2000, on the financial statements of St. Rose Volunteer Fire Department.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Department personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Sincerely,

  
Certified Public Accountants



## MANAGEMENT LETTER POINTS

### 1999-4 Record Storage and Retrieval

During our audit we noticed that accounting records frequently could not be located when needed. The causes of the problem appeared to be (a) lack of a clearly specified system for filing records, (b) failure of those who removed records from the files to indicate who took the record, (c) failure to return the record to the files or misfiling it when it was returned, and (d) lack of specific policies for removing prior year records from the files to a designated storage space. The result was that Fire Department personnel spent nonproductive time searching for needed documents. This condition would also present problems when documents are needed in support of tax returns and other reports subject to audit by us or other governmental agencies. We recommend that the following steps be taken:

- Decide on a systematic manner of filing documents.
- Institute use of "sign-out" cards to be filled out when a document is removed, showing who took the record. The card should be placed in the file in place of the removed document.
- Establish a policy specifying which records should be retained permanently and which records should be kept only for a given period before being destroyed and how long that period should be. Also, decide on when records should be removed from more accessible files to other storage areas. Assign personnel the responsibility to periodically clean out the files in accordance with the established policy.



**ST. ROSE VOLUNTEER FIRE DEPARTMENT**  
P.O. Box 399  
St. Rose, Louisiana 70087

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**CORRECTIVE ACTION PLAN RELATIVE TO  
MANAGEMENT LETTER ITEMS**

June 19, 2000

Louisiana Legislative Auditor

St. Rose Volunteer Fire Department respectfully submits the following corrective action plan for the year ended December 31, 1999.

Name and address of independent public accounting firm:

Ericksen, Krentel, Canton & LaPorte, L.L.P.  
4227 Canal Street  
New Orleans, Louisiana 70119  
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/99 to 12/31/99

The findings from the December 31, 1999 management letter are discussed below. The findings are numbered consistently with the number assigned in the management letter.

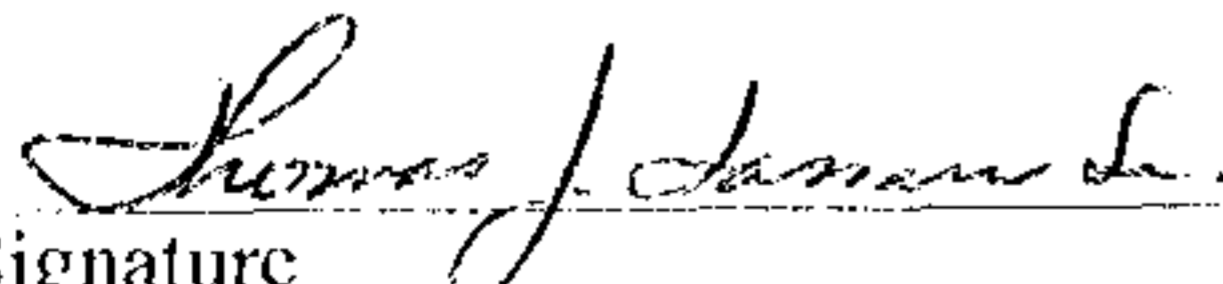
**1999-4 Record Storage and Retrieval**

Recommendation: The Department should decide on a systematic manner of filing documents.

Response: We concur with this recommendation; however, we feel that this was an isolated incident that occurred this year. We will monitor the removal of documents from the filing system and follow up on documents that are not returned within a specified time period.

If there are any questions regarding this plan, please call Paul Hymel at (504) 469-4938.

Sincerely,

  
Signature

  
Title

**ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

1998-1 Segregation of Duties

Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives relative to cash receipts and disbursements.

The Department is small, and it was determined not to be feasible to maintain adequate segregation of duties. This issue remains unresolved.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO  
FEDERAL AWARDS**

Not Applicable

**SECTION III MANAGEMENT LETTER**

1998-2 Record Storage and Retrieval

We recommend that the Department decide on a systematic manner of filing documents.

This issue remains unresolved.