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**NORCO AREA 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 this 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 JUL 26 2000

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

**CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS**

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**CONTENTS**

	<b><u>PAGE</u></b>
<b><u>INDEPENDENT AUDITORS' REPORT</u></b> .....	1
 <b><u>GENERAL PURPOSE FINANCIAL STATEMENTS:</u></b>	
Exhibit "A" Combined Balance Sheet - All Fund Types and Account Groups.....	2
Exhibit "B" Combined Statement of Revenues, Expenditures and Changes in Fund Balance - General Fund.....	3
Notes to General Purpose Financial Statements .....	4 – 9

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

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## INDEPENDENT AUDITORS' REPORT

Norco Area Volunteer Fire Department, Inc.  
P.O. Box 321  
Norco, Louisiana 70079

We have audited the accompanying general purpose financial statements of the Norco Area 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 Norco Area 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 Norco Area 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 our report dated May 23, 2000 on our consideration of the Norco Area Volunteer Fire Department, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

May 23, 2000

  
Certified Public Accountants

**NORCO AREA 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	Long-term		
	Fund	Fixed Assets	Liabilities	1999	1998
Cash	\$ 296,764	-	-	\$ 296,764	\$ 218,067
Due from Parish (Note 3)	5,607	-	-	5,607	7,629
Prepaid expenses	19,903	-	-	19,903	19,500
Fire protection vehicles	-	897,496	-	897,496	897,496
Equipment	-	537,409	-	537,409	527,350
Buildings	-	286,870	-	286,870	286,870
Land	-	41,644	-	41,644	25,175
Debt retirement provision	-	-	169,127	169,127	199,478
<b>Total assets</b>	<b>\$ 322,274</b>	<b>\$ 1,763,419</b>	<b>\$ 169,127</b>	<b>\$ 2,254,820</b>	<b>\$ 2,181,565</b>

**LIABILITIES AND FUND EQUITY**

**LIABILITIES:**

Accounts payable	\$ 1,460	-	-	\$ 1,460	\$ 1,150
Note payable (Note 4)	-	-	169,127	169,127	199,478
<b>Total liabilities</b>	<b>1,460</b>	<b>-</b>	<b>169,127</b>	<b>170,587</b>	<b>200,628</b>

**FUND EQUITY:**

Fixed asset investment	-	1,763,419	-	1,763,419	1,736,891
Fund balance - reserved for prepaid expenses	19,903	-	-	19,903	19,500
Fund balance - unreserved, undesignated	300,911	-	-	300,911	224,546
<b>Total fund equity</b>	<b>320,814</b>	<b>1,763,419</b>	<b>-</b>	<b>2,084,233</b>	<b>1,980,937</b>
<b>Total liabilities and fund equity</b>	<b>\$ 322,274</b>	<b>\$ 1,763,419</b>	<b>\$ 169,127</b>	<b>\$ 2,254,820</b>	<b>\$ 2,181,565</b>

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

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

	1999	Totals (Memorandum Only) 1998
<b><u>REVENUES:</u></b>		
Sales tax - 1/8 cent	\$ 128,410	\$ 140,249
Operations and capital improvements millage	104,750	104,456
Fire insurance rebate	11,267	10,432
Other revenues	11,961	6,653
	<hr/>	<hr/>
Total revenues	256,388	261,790
	<hr/>	<hr/>
<b><u>EXPENDITURES:</u></b>		
Utilities:		
Electricity	7,638	7,470
Gas	748	725
Telephone	2,404	2,715
Water	959	808
Equipment:		
Maintenance	22,289	22,322
Fuel	861	1,240
Insurance	8,139	7,944
Buildings:		
Maintenance	8,208	13,796
Insurance	8,785	9,728
Personnel:		
Insurance	5,148	5,743
Training	926	1,563
Firefighting expenditures:		
Fire supplies	8,045	9,203
Emergency system access	20,000	-
Miscellaneous:		
Accounting and auditing	3,000	2,400
Dues and subscriptions	325	315
Office expense	683	1,541
Meetings and other	12,561	13,028
Account group activity:		
Equipment purchases	28,528	274,008
Debt retirement	30,351	35,072
Interest	10,022	6,114
	<hr/>	<hr/>
Total expenditures	179,620	415,735
	<hr/>	<hr/>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	76,768	(153,945)
	<hr/>	<hr/>
<b><u>OTHER FINANCING SOURCES:</u></b>		
Proceeds from sale of fixed assets	-	8,000
Proceeds from debt incurred	-	234,550
	<hr/>	<hr/>
Total other financing sources	-	242,550
	<hr/>	<hr/>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	76,768	88,605
	<hr/>	<hr/>
FUND BALANCE, BEGINNING OF YEAR	244,046	155,441
	<hr/>	<hr/>
FUND BALANCE, END OF YEAR	\$ 320,814	\$ 244,046

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS



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

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

**Reporting Entity**

The Norco Area 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 fire 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.

**NORCO AREA 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 Fire 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 \$296,764, and the bank balance was \$301,549, classified as follows:

Federally insured	\$	148,789
Collateralized		152,760
Uninsured and uncollateralized		-----
	\$	<u>301,549</u>

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1999, are recorded as prepaid items. A portion of the general fund's fund balance equal to the prepaid items has been reserved to indicate that it is not available for appropriation.

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

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

**Budgets and Budgetary Accounting**

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

**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 Liabilities**

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.

Long-term liabilities expected to be financed from the General Fund are accounted for in the general long-term liabilities 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 of Combined Balance Sheet**

Total columns on the combined balance sheet 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.



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

**(2) SALES TAX REVENUE**

Effective March 1, 1980, sales tax 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 Basis	Percent of Remaining Funds
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.21%
Dcs 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 LIABILITIES**

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

Long-term liabilities, beginning of period	\$	199,478
Increases		-
Reductions		(30,351)
Long-term liabilities, end of period	\$	169,127

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

**(4) GENERAL LONG-TERM LIABILITIES (CONTINUED)**

The annual requirements to amortize liabilities outstanding as of December 31, 1999 are as follows:

<u>Year</u>		
2000	\$	32,051
2001		33,807
2002		35,553
2003		37,390
2004		<u>30,326</u>
Total	\$	<u>169,127</u>

Details of long-term debt are as follows:

Note payable to First National Bank of St. Charles Parish collateralized by a 1998 Hackney Emergency Vehicle, bearing an interest rate of 5.1%, payable in semi-annual installments of \$20,186.21. Due May 7, 2005. \$ 169,127

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

	<u>Balance</u> <u>1/1/99</u>	<u>Purchases</u> <u>1999</u>	<u>Retirements</u> <u>1999</u>	<u>Balance</u> <u>12/31/99</u>
Fire protection vehicles	\$ 897,496	\$ -	\$ -	\$ 897,496
Equipment	527,350	10,059	-	537,409
Buildings	286,870	-	-	286,870
Land	<u>25,175</u>	<u>18,469</u>	<u>2,000</u>	<u>41,644</u>
	<u>\$ 1,736,891</u>	<u>\$ 28,528</u>	<u>\$ 2,000</u>	<u>\$ 1,763,419</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.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 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) 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.

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

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RONALD H. ACKERMANN (Retired 1995)

## 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*

Norco Area Volunteer Fire Department, Inc.  
P.O. Box 321  
Norco, Louisiana 70079

We have audited the general purpose financial statements of Norco Area Volunteer Fire Department, Inc., as of and for the year ended December 31, 1999, and have issued our report thereon dated May 23, 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 Norco Area 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Norco Area 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 a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Norco Area 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 condition is described in the accompanying schedule of findings and questioned costs as item 1999-1.



Norco Area Volunteer Fire Department, Inc.  
May 23, 2000  
Page 2

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.

This report is intended solely for the information and use of Norco Area 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.

May 23, 2000

  
Certified Public Accountants



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

We have audited the financial statements of Norco Area Volunteer Fire Department, Inc. as of and for the year ended December 31, 1999, and have issued our report thereon dated May 23, 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 \_\_\_ Yes X 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)

**NORCO AREA 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. 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.

**NORCO AREA 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**

Not Applicable