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R E P O R T

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

DECEMBER 31, 1995 AND 1994

under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7-31-96

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

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96 JUN 27



DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.'S

INDEPENDENT AUDITOR'S REPORT

April 5, 1996

Board of Directors
Third District Volunteer Fire Department
10423 Jefferson Highway
River Ridge, Louisiana 70123

We have audited the accompanying statements of assets, liabilities and net worth - modified cash basis of the Third District Volunteer Fire Department as of December 31, 1995 and 1994 and the related statements of revenue collected, expenditures paid, and changes in retained earnings - modified cash basis for the years then ended. These financial statements are the responsibility of the Third District Volunteer Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1, these financial statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net worth - modified cash basis of the Third District Volunteer Fire Department as of December 31, 1995 and 1994 and its revenue, expenditures, and changes in retained earnings - modified cash basis for the years then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 5, 1996 on our consideration of the Third District Volunteer Fire Department's internal control structure and a report dated April 5, 1996 on its compliance with laws and regulations.

Duplantier, Hrapmann, Hogan & Maher

Receipt Acknowledged
Legislative Auditor

By:

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF ASSETS, LIABILITIES AND NET WORTH -
MODIFIED CASH BASIS
DECEMBER 31, 1995 AND 1994

ASSETS

	<u>1995</u>	<u>1994</u>
CURRENT ASSETS:		
Cash	\$ 427,599	\$ 137,423
Prepaid payroll taxes	4,405	--
Total current assets	<u>432,004</u>	<u>137,423</u>
PROPERTY, PLANT AND EQUIPMENT: (Note 2 and 4)		
Land	88,620	88,620
Buildings	381,091	381,091
Fire fighting equipment	77,870	77,870
Radios	244,194	232,374
Trucks and other automotives	878,501	892,575
Office furniture and equipment	27,275	27,104
Total	<u>1,697,551</u>	<u>1,699,634</u>
Less accumulated depreciation	<u>968,942</u>	<u>879,264</u>
Net property, plant and equipment	<u>728,609</u>	<u>820,370</u>
Other assets	<u>3,222</u>	<u>1,729</u>
TOTAL ASSETS	<u>\$ 1,163,835</u>	<u>\$ 959,522</u>

LIABILITIES AND NET WORTH

CURRENT LIABILITIES:		
Unexpended insurance proceeds	\$ 1,457	\$ 4,520
Payroll taxes payable	--	909
Annual leave payable (Note 5)	11,754	26,663
Due to employees	558	120
Notes payable (Note 4)	21,226	25,534
Total current liabilities	<u>34,995</u>	<u>57,746</u>
LONG TERM LIABILITIES:		
Notes payable (Note 4)	25,605	46,689
Total long term liabilities	<u>25,605</u>	<u>46,689</u>
TOTAL LIABILITIES	60,600	104,435
NET WORTH:		
Retained earnings	<u>1,103,235</u>	<u>855,087</u>
TOTAL LIABILITIES AND NET WORTH	<u>\$ 1,163,835</u>	<u>\$ 959,522</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF REVENUE COLLECTED, EXPENDITURES PAID,
AND CHANGES IN RETAINED EARNINGS - MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 1995 AND 1994

	<u>1995</u>	<u>1994</u>
REVENUE:		
Jefferson Parish millage	\$ 640,500	\$ 504,933
Jefferson Parish sales tax and contribution	55,000	52,000
Jefferson Parish service charge	292,500	270,000
Gain on sale of assets	5,623	--
Insurance rebate	70,606	63,172
Interest	6,464	3,165
Miscellaneous	2,110	791
	<hr/>	<hr/>
Total revenue	1,072,803	894,061
EXPENDITURES:		
Manpower	442,068	513,608
Insurance	71,666	78,691
Utilities	23,526	23,413
Fire prevention week	1,435	1,823
Operating materials	27,220	14,917
Maintenance materials	28,009	16,159
Depreciation (Note 2)	101,739	103,840
Stationery and office supplies	2,410	1,701
Miscellaneous	3,409	3,910
Beverages	6,500	3,920
Travel, entertainment, awards and banquet	12,748	8,722
Legal and accounting fees	8,667	14,070
Personal safety equipment	9,999	3,993
Breathing apparatus	1,853	1,611
First aid supplies	25	602
Vehicle maintenance	63,030	48,993
Oil and gas	7,561	7,802
Interest expense	5,158	10,985
Major repairs and maintenance	7,632	7,917
Software and films	--	776
Communication equipment maintenance	--	1,332
	<hr/>	<hr/>
Total expenditures	824,655	868,785
Excess of revenue (expenditures) over expenditures (revenue)	248,148	25,276
Retained earnings balance, beginning of year	<hr/> 855,087	<hr/> 829,811
RETAINED EARNINGS - END OF YEAR	\$ <u>1,103,235</u>	\$ <u>855,087</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the department's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Description of Business Activity:

The fire department was organized in 1951 and provides the citizens of the Third Fire District of Jefferson Parish with fire protection and related services. The department is currently under a month-to-month contract with Jefferson Parish to provide fire protection to the Third District. Subsequent to the year end the fire department signed a ten year contract to provide fire protection to the Third District. The contract is effective on April 24, 1996 and ends on April 24, 2006. The majority of the fire department's revenue is derived from this contract. The department operates four stations.

Basis of Accounting:

The fire department's accounting system is maintained on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under the modified cash basis of accounting, certain revenue and related assets are recognized when received rather than when earned, and certain expenditures are recognized when paid rather than when the obligation is incurred. The fire department has elected to accrue the liability for annual leave. Accordingly, these financial statements are not intended to present financial position, results of operations, and changes in retained earnings in conformity with generally accepted accounting principles.

Revenue:

Under the present month-to-month contract with Jefferson Parish, the Parish pays the fire department monthly installments which represent the net proceeds of millage levied annually on the assessed valuation of property in the Third Fire Protection District. On April 3, 1993 the 10-year renewal of a 15-mill property tax was approved by public election.

In addition, the fire department receives revenue from the following:

- A) Jefferson Parish Sales Tax - amount received is based on the number of fire stations. The subsidy is received monthly at a rate of \$750 per fire station.
- B) Jefferson Parish Contributions - amount received is based on the number of fire stations. The subsidy is received quarterly at a rate of \$1,000 per fire station.
- C) Insurance Rebates - amount is received annually from the State of Louisiana through Jefferson Parish. The amount received is based on the number of homes within the fire district.
- D) Jefferson Parish Service Charge - Effective January 1, 1990 the fire department began receiving monthly installments based on the number of water meters within the fire district. The assessment of the service charge was approved by public election.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of land, buildings, automobiles, fire trucks, fire equipment and office equipment which are carried at cost, and are being depreciated over their estimated useful lives ranging from five to forty years. Depreciation expense for the years ended December 31, 1995 and 1994 was \$101,739 and \$103,840, respectively. The cost and accumulated depreciation are as follows:

	<u>December 31, 1995</u>		
	<u>Property, Plant and Equipment - Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Property, Plant and Equipment</u>
Land	\$ 88,620	\$ --	\$ 88,620
Buildings	381,091	135,386	245,705
Fire fighting equipment	77,870	46,557	31,313
Radios	244,194	210,174	34,020
Trucks and other automotives	878,501	560,060	318,441
Office furniture and equipment	<u>27,275</u>	<u>16,765</u>	<u>10,510</u>
TOTAL	<u>\$1,697,551</u>	<u>\$968,942</u>	<u>\$728,609</u>
	<u>December 31, 1994</u>		
	<u>Property, Plant and Equipment - Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Property, Plant and Equipment</u>
Land	\$ 88,620	\$ --	\$ 88,620
Buildings	381,091	124,055	257,036
Fire fighting equipment	77,870	41,116	36,754
Radios	232,374	190,793	41,581
Trucks and other automotives	892,575	508,531	384,044
Office furniture and equipment	<u>27,104</u>	<u>14,769</u>	<u>12,335</u>
TOTAL	<u>\$1,699,634</u>	<u>\$ 879,264</u>	<u>\$ 820,370</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

3. INCOME TAXES:

The fire department is exempt from federal and state income taxes under the Internal Revenue Code 501(c)(3).

4. NOTES PAYABLE:

	<u>1995</u>		<u>1994</u>	
	<u>Current</u>	<u>Noncurrent</u>	<u>Current</u>	<u>Noncurrent</u>
Payable to bank, 9%. Due January 1, 1998. Secured by station house. Monthly installments of principal and interest of \$2,027.	\$ 21,226	\$ 25,605	\$19,307	\$ 46,689
Payable to AFCO Finance, annual percentage rate of 10.11% for the year ended December 31, 1994. At December 31, 1994 there was one monthly installment due of principal and interest in the amount of \$6,281.	---	---	<u>6,227</u>	---
	<u>\$21,226</u>	<u>\$25,605</u>	<u>\$25,534</u>	<u>\$ 46,689</u>

The following is a schedule of the maturities of the notes payable at December 31, 1995:

<u>Year</u>	
1996	\$21,226
1997	23,026
1998	<u>2,579</u>
	<u>\$46,831</u>

5. ANNUAL LEAVE PAYABLE:

All full time employees of the Third District Volunteer Fire Department accumulate annual leave which is accrued annually based on each employee's accumulated hours and current rate of pay. Beginning in 1992 the amount of hours that each employee can accumulate is limited to 800 hours. Payment of annual leave must be approved by the Board. For the years ended December 31, 1995 and 1994 the amount of accrued annual leave was \$11,754 and \$26,663, respectively.

6. PENSION PLAN:

The company sponsors a defined contribution plan that covers all employees who have at least 1,000 service hours annually.

Contributions to the plan are based on 10% of the gross wages paid by the fire department plus the supplemental wages received from the State of Louisiana.

For December 31, 1995 and 1994, the amount of pension expense was \$24,414 and \$55,730, respectively.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1995 AND 1994

7. CONCENTRATION OF CREDIT RISK:

At various times during the year the Fire Department had on deposit cash in excess of FDIC insurance limits.

8. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Generally accepted accounting principles require the disclosure of fair value of financial instruments for which it is considered practicable to estimate fair value. Because no readily available market exists for a portion of the Department's financial instruments, fair value estimates for these instruments are based on judgments regarding current economic conditions, interest rate risk characteristics, loss experience and other factors. Many of these estimates involve uncertainties and matters of significant judgment and cannot be determined with precision. Therefore, the calculated fair value estimates cannot always be substantiated by comparison to independent markets and, in many cases, may not be realized in a current sale of the instrument. Changes in assumptions could significantly affect the estimates.

The following methods and assumptions were used by the Department in estimating the fair value of its financial instruments at December 31, 1995:

- a) Cash - For those short-term instruments, the carrying amount is a reasonable estimate of fair value.
- b) Notes payable - The fair value of notes payable is calculated using estimated rates currently offered for loans of similar remaining maturities and collateral and is based on the discounted value of contractual cash flows.

The estimated fair values of financial assets and financial liabilities at December 31, 1995 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial assets:		
Cash	\$427,599	\$427,599
Financial liabilities:		
Notes payable	46,831	44,705

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR THEN ENDED DECEMBER 31, 1995

April 5, 1996

To the Board of Directors
Third District Volunteer Fire Department

We have audited the financial statements of Third District Volunteer Fire Department (a nonprofit organization) for the year ended December 31, 1995, and have issued our report thereon, dated April 5, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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 financial statements are free of material misstatement.

The management of Third District Volunteer Fire Department is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Third District Volunteer Fire Department for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors, management, and applicable parish, state or federal agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Duplantier, Hapman, Hogan & Maher

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS AND REGULATIONS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS
FOR THE YEAR THEN ENDED DECEMBER 31, 1995

April 5, 1996

To the Board of Directors
Third District Volunteer Fire Department

We have audited the financial statements of Third District Volunteer Fire Department (a nonprofit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated April 5, 1996.

We conducted our audit in accordance with generally accepted auditing standards 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 financial statements are free of material misstatement.

Compliance with laws, regulations, and contracts applicable to the Third District Volunteer Fire Department is the responsibility of the Third District Volunteer Fire Department's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Third District Volunteer Fire Department's compliance with certain provisions of laws, regulations, and contracts. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. 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*.

This report is intended for the information of the Board of Directors, management and applicable parish, state or federal agencies. This restriction is not intended to limit the distribution of this report which is a matter of public record.

Duplante, Hapman, Hoxar & Mader