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December 31, 1997

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Burgess Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Village East Fire Protection District,
Houma, Louisiana.

We have audited the accompanying general-purpose financial statements of Village East Fire Protection District (the District), a component unit of the Terrebonne Parish Consolidated Government, as of December 31, 1997 and for the period from inception (February 6, 1997) to December 31, 1997, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District'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 and the standards applicable to financial audits contained in *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. 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

The District did not adopt a budget for its general fund for the period ended December 31, 1997, which is legally required. Presentation of a statement of revenues, expenditures, and changes in fund balances-budget and actual, for the general fund is required by generally accepted accounting principles.

In our opinion, except for the omission of the statement of revenues, expenditures, and changes in fund balances-budget and actual that results in an incomplete presentation as explained in the preceding paragraph, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village East Fire Protection District as of December 31, 1997, and the results of its operations for the period then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 1998 on our consideration of Village East Fire Protection District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bougie Bennett, LLC.

Certified Public Accountants.

Houma, La.,
June 26, 1998.

**COMBINED BALANCE SHEET
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP**

Village East Pine Protection District

December 31, 1997

	<u>Governmental Fund Type General</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Microcomputer Only)</u>
Assets			
Investments	\$ 94,930	\$ -	\$ 94,930
Receivables - taxes	44,970	-	44,970
State revenue sharing receivable	5,388	-	5,388
Due from Terrebonne Parish Consolidated Government	2,934	-	2,934
Fixed assets	<u>-</u>	<u>1,693</u>	<u>1,693</u>
Total assets	<u>\$ 148,222</u>	<u>\$ 1,693</u>	<u>\$ 149,915</u>
Liabilities			
Accounts payable and accrued expenditures	\$ 3,128		\$ 3,128
Deferred revenues	57,981		57,981
Due to Terrebonne Parish Consolidated Government	<u>59</u>		<u>59</u>
Total liabilities	<u>61,168</u>		<u>61,168</u>
Equity and Other Credits			
Investment in general fixed assets	-	\$ 1,693	1,693
Fund balance - unreserved	<u>87,454</u>	<u>-</u>	<u>87,454</u>
Total equity and other credits	<u>87,454</u>	<u>1,693</u>	<u>89,147</u>
Total liabilities, equity and other credits	<u>\$ 148,222</u>	<u>\$ 1,693</u>	<u>\$ 149,915</u>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND TYPE - GENERAL FUND**

Village East Fire Protection District

For the period from inception (February 6, 1997) to December 31, 1997

Revenues

Intergovernmental:

State of Louisiana:

Fire insurance tax

\$ 7,867

Miscellaneous - interest

2,867

Total revenues

10,734

Expenditures

Current:

Public Safety:

Personal services

418

Supplies and materials

3,033

Other services and charges

12,647

Repairs and maintenance

6,097

Capital expenditures

1,693

Total expenditures

25,888

Deficiency of Revenues Over Expenditures

(15,154)

Fund Balance

Beginning of period

-

Residual equity transfer in

101,230

End of period

\$ 87,454

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Village East Fire Protection District**

December 31, 1997

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village East Fire Protection District (the District) conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a) Reporting Entity

The District is a component unit of the Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 1997.

The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

b) Fund Accounting

The District uses a fund and an account group to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Fund Accounting (Continued)

Governmental Funds

Governmental Funds are those through which the governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the Governmental Fund of the District:

General Fund - The General Fund is the general operating fund of the District. It is used to account for resources except those that are required to be accounted for in another fund.

Account Group

The General Fixed Assets Account Group is used to account for fixed assets not accounted for in proprietary or trust funds.

c) Basis of Accounting

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

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes and the related state revenue sharing (intergovernmental revenues) are recorded as revenue in the period for which levied, thus the 1997 property taxes which are being levied to finance the 1998 budget will be recognized as revenue in 1998. The 1997 tax levy is recorded as deferred revenue in the District's 1997 Financial Statements. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is principal and interest on general long-term obligations which are recognized when due.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

e) Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) did not adopt a budget for the District's General Fund.

f) Bad Debts

The financial statements for the District contain an allowance for bad debts. Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the funds.

g) Investments

Investments are stated at cost, which approximates market.

h) Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group rather than in governmental funds. The Account Group is not a fund. It is concerned only with the measurement of financial position.

It is not involved with the measurement of results of operations. Public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in the fund general ledgers, is not utilized by the District.

ii) Memorandum Only - Total Column

The total column on the general-purpose financial statement is captioned "Memorandum Only" because it does not represent consolidated financial information and is presented only to facilitate financial analysis. The column does not present information that reflects financial position or results of operations in accordance with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

Note 2 - DEPOSITS

The Parish maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "cash" and "investments".

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state banks organized under laws of Louisiana, and National Banks having their principal office in Louisiana or any other federally insured investment.

State law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision, or with an unaffiliated bank, or with a trust company for the account of the political subdivision. In accordance with state law all cash and deposits were collateralized.

Deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Note 2 - DEPOSITS (Continued)

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the District's name and deposits which are uninsured or uncollateralized.

The year end bank balances and the carrying amounts as shown on the combined balance sheet are as follows:

	Bank Balances			Book Balance
	Risk Category			
	1	2	3	
Investments:				
Certificates of deposit	\$-	\$-	\$24,000	\$24,000

As mentioned previously, funds are held and invested by the Parish who has proper pledging to cover funds for the District. At December 31, 1997, cash and certificates of deposit in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the Parish. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions GASB Statement 3, Louisiana Revised Statute 29:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Note 3 - PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 1996. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Proportion for which the

Note 3 - PROPERTY TAXES (Continued)

taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 1997 was \$7.50 per \$1,000 of assessed valuation on property within Village East Fire Protection District for the purpose of maintaining and operating fire protection facilities within the District. As indicated in Note 3c, taxes levied November 1, 1997 are for budgeted expenditures in 1998 and will be recognized as revenues in 1998.

Note 4 - CHANGES IN FIXED ASSETS

A summary of changes in fixed assets follows:

	Balance February <u>6, 1997</u>	Additions	Balance December <u>31, 1997</u>
Machinery and equipment	<u>\$-</u>	<u>\$1,692</u>	<u>\$1,692</u>

Note 5 - COMPENSATION OF BOARD MEMBERS

No compensation was paid to Board Members for the year ended December 31, 1997.

Note 6 - RESIDUAL EQUITY TRANSFER

At inception, February 6, 1997, Parish Ordinance No. 5732 created five separate and distinct Fire Protection Districts within the boundaries of the former Fire Protection District 1,2,3, whose governing authority was the Parish Council. Village East Fire Protection District is one of the newly created districts. The portion of Fire Protection District No. 1,2,3's assets allocable to each of the new districts was based upon the new district's estimated pro-rata share of ad valorem taxes collected within the former boundaries of Fire Protection District No. 1,2,3. In addition to this year's residual equity transfer, the Parish Council may make adjustments during 1998 to the asset allocation based upon a final detailed analysis of all assets allocated. However, in the opinion of the District's management, changes in the asset allocation should not have a material impact on the general-purpose financial statements.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

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

To the Board of Commissioners,
Village East Fire Protection District,
Houma, Louisiana.

We have audited the general-purpose financial statements of the Village East Fire Protection District (the District), a component unit of the Terrebonne Parish Consolidated Government, as of December 31, 1997 and for the period from inception (February 6, 1997) to December 31, 1997, and have issued our report thereon dated June 26, 1998. 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 the District'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 these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the Schedule of Findings as Item 97-1 and 97-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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 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 over financial reporting and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, La.,
June 26, 1998.

SCHEDULE OF FINDINGS

Village East Fire Protection District

For the period from inception (February 6, 1997) to December 31, 1997

Section I Summary of Auditor's Results

a) Financial Statements:

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Reportable condition(s) identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? X yes _____ no

b) Federal Awards:

Village East Fire Protection District did not receive federal awards during the year ended December 31, 1997.

Section II Financial Statement Findings

97-1 **Criteria** - Louisiana Revised Statutes 59:1304-1314 requires that all political subdivisions prepare and adopt budgets for their general fund. The budget document setting forth the proposed financial plan must include the following:

- a) A budget message signed by the budget preparer which shall include a summary description of the proposed financial plan, policies, objectives, assumptions, budgetary basis, and a discussion of the most important features.
- b) A consolidated statement for the general fund, showing the estimated fund balances at the beginning of the year, estimates of all receipts and revenues to be received, revenues itemized by source; recommended expenditures itemized by agency, department, function and character; and the estimated fund balance at the end of the fiscal year.

SCHEDULE OF FINDINGS
(Continued)

Village East Fire Protection District

For the period from inception (February 6, 1997) to December 31, 1997

Section II Financial Statement Findings (Continued)

97-1 (Continued)

A budget proposal for consideration by the governing authority must be accompanied by a proposed budget adoption instrument. The adoption instrument shall define the authority of the chief executive and administrative officers of the political subdivision to make changes within various budget classifications without approval by the governing authority, as well as those powers reserved solely to the governing authority.

All action necessary to adopt and finalize the budget for an ensuing fiscal year must be taken in an open meeting and completed prior to the end of the fiscal year in progress.

Condition - The District did not adopt a 1997 budget.

Questioned Cost - None

Contact - Not applicable

Effect - Noncompliance with budget laws.

Cause - The District was created in 1997 until March 1998 and they were unaware of this requirement.

Recommendation - The District should comply with all sections of the budget law.

Views of Responsible Officials of the Auditor when there is Disagreement with the Finding, to the Extent Practical - None

97-2 Criteria - Louisiana Revised Statutes 42:7.1 and Act 665 of 1976 require that minutes must be taken at all meetings of the governing authority.

Condition - There is no evidence that the District kept minutes of meetings during 1997.

SCHEDULE OF FINDINGS
(Continued)

Village East Fire Protection District

For the period from inception (February 8, 1997) to December 31, 1997

Section II Financial Statement Findings (Continued)

97-2 (Continued)

Questioned Cost - None

Context - Not applicable

Effect - Noncompliance with state law.

Cause - The individual responsible for the minutes was unable to be located.

Recommendation - The District should comply with state law by taking minutes at all meetings.

Views of Responsible Officials of the Auditor when there is Disagreement with the Finding, to the Extent Practical - None.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS

Village East Fire Protection District

For the period from inception (February 6, 1997) to December 31, 1997

Section I Internal Control and Compliance Material to the General-Purpose Financial Statements

Internal Control

1997 was the initial year of operation.

Compliance

1997 was the initial year of operation.

Section II Internal Control and Compliance Material to Federal Awards

1997 was the initial year of operation.

Section III Management Letter

1997 was the initial year of operation.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Village East Fire Protection District

For the period from inception (February 6, 1997) to December 31, 1997

Section I Internal Control and Compliance Material to the General-Purpose Financial Statements

Internal Control

No material weaknesses were reported during the audit for the period from inception (February 6, 1997) to December 31, 1997.

No reportable conditions were reported during the audit for the period from inception (February 6, 1997) to December 31, 1997.

Compliance

97-1 **Recommendation** - The District should comply with all sections of the budget law.

Management's Corrective Action - A budget will be prepared for the fiscal year ended December 31, 1998.

97-2 **Recommendation** - The District should comply with state law by taking minutes at all meetings.

Management's Corrective Action - Minutes of all district meetings and proceedings are being recorded in 1998.

Section II Internal Control and Compliance Material to Federal Awards

Village East Fire Protection District did not receive federal awards for the period from inception (February 6, 1997) to December 31, 1997.

Section III Management Letter

A management letter was not issued in connection with the audit for the period from inception (February 6, 1997) to December 31, 1997.

COMMUNICATIONS LETTER

2) SIGNIFICANT ACCOUNTING POLICIES (Continued)

both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3) ACCOUNTING ESTIMATES

Accounting estimates are an integral part of the general-purpose financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the general-purpose financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements relate to collectibility of accounts receivable and valuation of accrued expenditures. We evaluated the key factors and assumptions used to develop the estimates in determining that it is reasonable in relation to the financial statements taken as a whole. Management has provided us with representations concerning estimates.

4) SIGNIFICANT AUDIT ADJUSTMENTS

We did not initiate any significant audit adjustments during our recent audit. Your trial adjustments and closing were prepared and provided to management.

This information is intended solely for the use of the Board of Commissioners and management of Village East Fire Protection District and should not be used for any other purpose. However, this report is a matter of public record, and its distribution is not limited.

Bougeois Bennett, LLC.

Certified Public Accountants