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DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 1997

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 SEP 30 1998

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

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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New Orleans, Louisiana 70119-5996

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## INDEPENDENT AUDITORS' REPORT

Des Allemands Volunteer Fire Department, Inc.  
P.O. Box 817  
Des Allemands, Louisiana 70030

We have audited the accompanying general purpose financial statements of the Des Allemands Volunteer Fire Department, Inc. as of and for the year ended December 31, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the Des Allemands 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 Des Allemands Volunteer Fire Department, Inc. as of December 31, 1997, 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 July 31, 1998 on our consideration of the Des Allemands Volunteer Fire Department, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

July 31, 1998

*Ericksen, Krentel, Canton & LaPorte LLP*  
Certified Public Accountants

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.  
 COMBINED BALANCE SHEET  
 ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 1997

ASSETS AND PROVISIONS

	Governmental Fund Type	Account Group	Totals (Memorandum Only)	
	General Fund	General Fixed Assets	1997	1996
Cash	\$ 152,070	\$ -	\$ 152,070	\$ 91,299
Due from Parish (Note 3)	3,789	-	3,789	4,450
Fire Protection vehicles	-	588,534	588,534	556,870
Equipment	-	373,137	373,137	342,538
Buildings	-	128,297	128,297	128,297
Land	-	7,000	7,000	7,000
Debt retirement provision	-	-	-	-
 Total assets and provision	 \$ 155,859	 \$ 1,096,968	 \$ 1,252,827	 \$ 1,130,454

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts payable	\$ 2,793	\$ -	\$ 2,793	\$ 8,508
Note payable and capital lease (Note 4)	-	-	-	-
Total liabilities	2,793	-	2,793	8,508

FUND EQUITY:

Fixed asset investment	-	1,096,968	1,096,968	1,034,705
Fund balance - unreserved, undesignated	153,066	-	153,066	87,241
Total fund equity	153,066	1,096,968	1,250,034	1,121,946
Total liabilities and fund equity	\$ 155,859	\$ 1,096,968	\$ 1,252,827	\$ 1,130,454

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

**DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1997**

	1997	Totals (Memorandum Only) 1996
<b>REVENUES:</b>		
Sales tax - 1/8 cent	\$ 67,377	\$ 61,846
Ad Valorem tax	110,289	69,359
Other revenues	8,038	7,138
	185,704	138,343
<b>Total revenues</b>		
<b>EXPENDITURES:</b>		
Utilities:		
Electricity	4,516	3,962
Telephone	7,047	6,444
Water	303	353
Equipment:		
Maintenance	12,629	16,099
Fuel	1,946	2,171
Insurance	4,501	3,911
Buildings:		
Maintenance	1,819	4,417
Insurance	4,918	4,827
Fire fighting expenditures:		
Fire fighting supplies	7,672	1,920
Training	-	199
Personnel insurance	3,729	1,422
Miscellaneous:		
Accounting and auditing	2,000	2,000
Dues and subscriptions	510	75
Office expenses	2,306	570
Meetings and other	3,719	1,728
Account group activity:		
Equipment purchase	62,264	15,490
Debt retirement	-	59,178
Interest	-	4,325
	119,879	129,091
<b>Total expenditures</b>		
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	65,825	9,252
<b>FUND BALANCE, BEGINNING OF YEAR</b>	87,241	77,989
<b>FUND BALANCE, END OF YEAR</b>	\$ 153,066	\$ 87,241

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS



DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 1997

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Des Allemands 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:

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 1997

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

A ten year ad valorem 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.

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.  
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 1997

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

At December 31, 1997, the carrying amount and bank balance of the Department's deposits were \$152,070, classified as follows:

Federally insured	\$ 100,000
Uninsured and uncollateralized	<u>52,070</u>
	<u>\$ 152,070</u>

Budgets and Budgetary Accounting

The Fire Department was not required to prepare a budget for the year ended December 31, 1997.

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.



DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 1997

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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:

	<u>Monthly Basis</u>	<u>Percent of Remaining Funds</u>
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) REVENUE RECEIVABLE

Revenue receivable at December 31, 1997, consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 1997, collected on or before December 20, 1997, by the St. Charles Parish School Board and remitted by St. Charles Parish in January 1998.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 1997.

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.  
 NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)  
DECEMBER 31, 1997

(4) CHANGES IN GENERAL FIXED ASSETS

	<u>Balance</u> 1/1/97	<u>Purchases</u> 1997	<u>Retirements</u> 1997	<u>Balance</u> 12/31/97
Fire protection vehicles	\$ 556,870	\$ 31,664	\$ -	\$ 588,534
Equipment	342,538	30,599	-	373,137
Buildings	128,297	-	-	128,297
Land	7,000	-	-	7,000
	<u>\$1,034,705</u>	<u>\$ 62,263</u>	<u>\$ -</u>	<u>\$1,096,968</u>

(5) 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.

(6) RISK MANAGEMENT

The Volunteer 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 Volunteer Fire Department carries commercial insurance in amounts sufficient to insure itself against claims resulting from any of those risks.

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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

Des Allemands Volunteer Fire Department, Inc.  
P.O. Box 817  
Des Allemands, Louisiana 70030

We have audited the general purpose financial statements of Des Allemands Volunteer Fire Department, Inc., as of and for the year ended December 31, 1997, and have issued our report thereon dated July 31, 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 Des Allemands 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings and questioned costs as item 1997-1.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Des Allemands 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.

Des Allemands Volunteer Fire Department, Inc.  
July 31, 1998  
Page 2

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 Des Allemands 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 1997-2 and 1997-3.

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 for the information of Des Allemands Volunteer Fire Department, Inc. and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

July 31, 1998

*Ericksen, Krentel, Canton & LaPorte*  
Certified Public Accountants







DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1997

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**

1997-1 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 \$52,070 were uninsured and uncollateralized at December 31, 1997.

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.

Recommendation: The Department should execute collateral pledge agreements with all financial institutions where their deposits exceed federally insured limits.

Management's Response: Management was made aware of Louisiana laws requiring collateral to be pledged for deposits in excess of \$100,000. Balance in July, 1998 was not in excess of \$100,000.

1997-2 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.

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1997

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: The Board of Directors will remain involved in the day-to-day financial affairs of the Department. We will develop procedures to strengthen our controls in these areas.

1997-3 Fuel Expense

Criteria: All expenses paid for by the Department should be supported by an invoice or a properly documented claim for reimbursement.

Condition: Our evaluation and inquiry of management regarding expenses revealed that an accounting for fuel costs was not being made by firemen who were reimbursed for business use of their personal vehicles.

Effect: Fuel costs may include reimbursement for personal as well as business use if a proper accounting is not made to the Department.

Cause: The Department did not have a strict policy regarding the use of personal vehicles on Department business, and fuel expense was not being monitored closely by the Board of Directors.

Recommendation: Personal vehicles should only be used for the Department's business if the Department's vehicles are not available. The Department should follow IRS guidelines for reimbursement of auto business mileage for a fireman who uses his personal vehicle for Department business.

DES ALLEMANDS VOLUNTEER FIRE DEPARTMENT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 1997

Management's Response: The Chief/Treasurer was recently made aware of this finding, and stated that the volunteers will not be using their personal vehicles for work-related business anymore. Therefore, the Department will no longer be paying for gasoline used in personal vehicles for business that is unrelated to the Department.

DES ALLEMANS VOLUNTEER FIRE DEPARTMENT, INC.  
SCHEDULE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 1997

SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS

1996-1 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

1996-2 Investment of Excess Cash

We recommend that the Department maintain minimum balances required for day-to-day operations in operating accounts and that excess funds should be invested on a short-term basis.

This issue has not been resolved by management.

1996-3 Timely Deposit of Cash Receipts

We recommend that the Department make deposits on a daily basis both to improve cash flow and to reduce the risk of loss.

This issue has been resolved by management making daily deposits.

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

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July 31, 1998

Des Allemands Volunteer Fire Department, Inc.  
P.O. Box 817  
Des Allemands, Louisiana 70030

In planning and performing our audit of the financial statements of Des Allemands Volunteer Fire Department, Inc. for the year ended December 31, 1997, 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 as well as immaterial instances of non-compliance with laws and regulations which need to be corrected. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated July 31, 1998, contains our report on reportable conditions in the Department's internal control. This letter does not affect our report dated July 31, 1998, on the financial statements of Des Allemands 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,

  
Ericksen, Krentel, Canton & LaPorte  
Certified Public Accountants



## MANAGEMENT LETTER POINTS

### 1997-4 Financial Reporting

Louisiana Revised Statute 24:518 requires state and local governments and quasi-public organizations to deliver audited financial statements to the Legislative Auditor within six months from their year end. The Department was not timely in delivering requested information to the auditors, resulting in the late delivery of the audit report to the Legislative Auditor.

We recommend that the Department appoint an individual to be responsible for closing the books timely and responding promptly to all requests for information from the independent auditors or the Legislative Auditor.