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**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 1998**

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 7-28-99

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

Luling Volunteer Fire Department, Inc.  
67 St. Anthony Street  
Luling, Louisiana 70070

We have audited the accompanying general purpose financial statements of the Luling Volunteer Fire Department, Inc. as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Luling 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 Luling Volunteer Fire Department, Inc. as of December 31, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition we do not provide assurance that the Department is or will become year 2000 compliant, that the Department's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Department does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 1999 on our consideration of the Luling Volunteer Fire Department, Inc.'s internal controls over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

May 27, 1999

  
Certified Public Accountants

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**COMBINED BALANCE SHEET**  
**ALL FUND TYPES AND ACCOUNT GROUPS**  
**DECEMBER 31, 1998**

**ASSETS AND PROVISIONS**

	Governmental Fund Type	Account Group	Totals (Memorandum Only)	
	General Fund	General Fixed Assets	1998	1997
Cash	\$ 417,403	\$ -	\$ 417,403	\$ 616,717
Due from Parish (Note 3)	16,652	-	16,652	10,237
Prepaid expenses	19,675	-	19,675	20,459
Fire Protection vehicles	-	1,089,170	1,089,170	680,055
Equipment	-	406,756	406,756	356,421
Buildings	-	921,751	921,751	937,004
Construction in progress	-	74,557	74,557	-
Land	-	37,300	37,300	37,300
	<u>\$ 453,730</u>	<u>\$ 2,529,534</u>	<u>\$ 2,983,264</u>	<u>\$ 2,658,193</u>
Total assets and provision				

**LIABILITIES AND FUND EQUITY**

**LIABILITIES:**

Accounts payable	\$ 7,209	\$ -	\$ 7,209	\$ 21,789
Total liabilities	<u>7,209</u>	<u>-</u>	<u>7,209</u>	<u>21,789</u>

**FUND EQUITY:**

Fixed asset investment	-	2,529,534	2,529,534	2,010,780
Fund balance - reserved for prepaid expenses	19,675	-	19,675	20,459
Fund balance - reserved for encumbrances	47,284	-	47,284	-
Fund balance - unreserved, undesignated	<u>379,562</u>	<u>-</u>	<u>379,562</u>	<u>605,165</u>
Total fund equity	<u>446,521</u>	<u>2,529,534</u>	<u>2,976,055</u>	<u>2,636,404</u>
Total liabilities and fund equity	<u>\$ 453,730</u>	<u>\$ 2,529,534</u>	<u>\$ 2,983,264</u>	<u>\$ 2,658,193</u>

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>1998</u>	<u>Totals (Memorandum Only) 1997</u>
<b><u>REVENUES:</u></b>		
Sales tax - 1/8 cent	\$ 334,407	\$ 254,419
Operations and capital improvements millage	104,456	110,289
Fire insurance rebate	28,235	27,130
Other revenues	<u>16,317</u>	<u>22,723</u>
Total revenues	<u>483,415</u>	<u>414,561</u>
<b><u>EXPENDITURES:</u></b>		
Utilities:		
Electricity, water and gas	14,186	14,005
Telephone	2,879	2,762
Equipment:		
Maintenance	25,330	32,036
Fuel	2,171	1,530
Insurance	6,106	6,646
Buildings:		
Maintenance	1,643	5,617
Insurance	12,376	11,781
Personnel:		
Insurance	6,570	6,043
Training	9,893	583
Miscellaneous:		
Fire supplies	9,793	22,746
Accounting and auditing	2,400	2,000
Office supplies	1,198	1,175
Meetings and other	13,010	8,360
Account group activity:		
Equipment purchases and building additions	<u>554,963</u>	<u>59,598</u>
Total expenditures	<u>662,518</u>	<u>174,882</u>
Excess (deficiency) of revenues over expenditures	(179,103)	239,679
FUND BALANCE, BEGINNING OF YEAR	<u>625,624</u>	<u>385,945</u>
FUND BALANCE, END OF YEAR	<u>\$ 446,521</u>	<u>\$ 625,624</u>

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1998**

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

**Reporting Entity**

The Luling 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.

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 1998**

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

Revenues (Continued)

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

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

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

Expenditures

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

Cash and Cash Equivalents

The Department is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, and the laws of the United States. The Department may also invest in time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits must be secured by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent. At December 31, 1998, the carrying amount of the Department's deposits was \$417,403 and the bank balance was \$377,758, classified as follows:

Federally insured	\$ 260,533
Collateralized	117,225
Uninsured and uncollateralized	<u>          -</u>
	<u>\$ 377,758</u>

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998, 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.

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 1998**

(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, 1998.

**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.



**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 1998

**(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, 1998, consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 1998, collected on or before December 20, 1998, by the St. Charles Parish School Board and remitted by St. Charles Parish in January 1999.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 1998.

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

	<u>Balance 1/1/98</u>	<u>Purchases 1998</u>	<u>Retirements 1998</u>	<u>Balance 12/31/98</u>
Fire protection vehicles	\$ 680,055	\$ 409,115	\$ -	\$ 1,089,170
Equipment	356,421	50,335	-	406,756
Buildings	937,004	20,956	36,209	921,751
Construction in progress	-	74,557	-	74,557
Land	37,300	-	-	37,300
	<u>\$ 2,010,780</u>	<u>\$ 554,963</u>	<u>\$ 36,209</u>	<u>\$ 2,529,534</u>

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 1998**

**(5) 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.

**(6) COMMITMENTS**

The Volunteer Fire Department has entered into a contract to construct a new fire station for a total cost of \$421,841. As of December 31, 1998, \$74,557 has already been expended and is reported as construction in progress in the general fixed asset account group. The Department has received bond commission approval to borrow up to \$300,000 for this construction project in 1999. In addition to the borrowed funds, the Department expects to expend \$47,284 of their fund balance. At December 31, 1998, this amount is reported as fund balance – reserved for encumbrances in the accompanying combined balance sheet.

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**YEAR 2000 SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 1998**

**UNAUDITED**

Because many computer systems use only two digits to record the year in date fields, such systems may not be able to accurately process dates including the year 2000 and after. The effects of this problem will vary from system to system, but unless this problem is addressed, computer systems that rely on date calculations are at risk of producing unpredictable results or complete failure.

The management of the Department is aware of the year 2000 issue and has initiated a remediation project to take all necessary and reasonable steps to get mission critical systems and operations year 2000 compliant in a timely manner. The management of the Department feels that all mission critical systems are presently year 2000 compliant.

Management believes that the cost of making the systems year 2000 compliant was insignificant.

However, the Department's emergency response is dependent on the operation of the St. Charles Parish 9-1-1 emergency response system, which is maintained by various entities of St. Charles Parish. The Department has no responsibility or control over the year 2000 compliance of the emergency response system.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management can not assure that the Department is or will be year 2000 ready, that the Department's remediation efforts will be successful in whole or part, or that parties with whom the Department does business will be year 2000 ready.

The assessment of the costs of the year 2000 compliance and the completion of the internal year 2000 modifications are management's estimates. It is reasonably possible that actual and estimated results will differ materially.

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

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

1997-1 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

# 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*

Luling Volunteer Fire Department, Inc.  
67 St. Anthony Street  
Luling, Louisiana 70070

We have audited the general purpose financial statements of Luling Volunteer Fire Department, Inc., as of and for the year ended December 31, 1998, and have issued our report thereon dated May 27, 1999. 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 Luling 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 Luling 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 Luling 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 1998-1.

Luling Volunteer Fire Department, Inc.

May 27, 1999

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

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

May 27, 1999

  
Certified Public Accountants

**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

We have audited the financial statements of Luling Volunteer Fire Department, Inc. as of and for the year ended December 31, 1998, and have issued our report thereon dated May 27, 1999. 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, 1998 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)

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**LULING VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 1998**

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**

1998-1 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.