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EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

FINANCIAL STATEMENTS

RURAL FIRE DISTRICT NO. 2 CURRENT RESTRICTED FUND

As of and for the Two Years 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 ~~JUN 23 1999~~

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

FINANCIAL STATEMENTS

Rural Fire District No. 2 Current Restricted Fund

As of and for the Two Years Ended December 31, 1998

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Durnin & James

•CERTIFIED PUBLIC ACCOUNTANTS•

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June 8, 1999

INDEPENDENT AUDITOR'S REPORT

To the Officers of
Eighth Ward Volunteer Fire Department
Robert, Louisiana

We have audited the accompanying statement of financial position of the Rural Fire District No. 2 Current Restricted Fund of the Eighth Ward Volunteer Fire Department (a non-profit organization) as of December 31, 1998, and the related statements of activities and cash flows for the two years then ended. These financial statements are the responsibility of the Fire Department's management. Our responsibility is to express an opinion on these 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 misstatements. 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 audit provides a reasonable basis for our opinion.

As explained in Note 1, the financial statements being presented are only for the fund referred to above and do not include the assets, liabilities, and fund balances and the revenue, expenses and capital additions and cash flows of the Eighth Ward Volunteer Fire Department that are recorded in its Current Unrestricted Operating Fund and its Equipment Fund. Accordingly, the accompanying financial statements are not intended to present the financial position of Eighth Ward Volunteer Fire Department as of December 31, 1998 or its results of operations or cash flows for the two years then ended in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Fire District No. 2 Current Restricted Fund of the Eighth Ward Volunteer Fire Department as of December 31, 1998, and the results of operations and cash flows for the two years then ended in conformity with generally accepted accounting principles.

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 1999 on our consideration of the Eighth Ward Volunteer Fire Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Respectfully submitted,

Durnin & James
DURNIN & JAMES, CPA'S

FINANCIAL STATEMENTS

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

STATEMENT OF FINANCIAL POSITION -
RURAL FIRE DISTRICT NO. 2 CURRENT RESTRICTED FUND

December 31, 1998

ASSETS	<u>1998</u>
Current Assets:	
Cash and cash equivalents	\$ 36,975
Receivables (Net of allowances for uncollectibles):	
Fire Protection District No. 2 contract fees	<u>22,866</u>
Total Current Assets	<u>59,841</u>
TOTAL ASSETS	<u>\$ 59,841</u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	\$ <u>12,152</u>
Total Current Liabilities	<u>12,152</u>
TOTAL LIABILITIES	<u>\$ 12,152</u>
NET ASSETS	
Permanently Restricted	\$ <u>47,689</u>
TOTAL NET ASSETS	<u>\$ 47,689</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 59,841</u>

The accompanying notes are an integral part of this statement.

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

STATEMENT OF ACTIVITIES -
RURAL FIRE DISTRICT NO. 2 CURRENT RESTRICTED FUND

For the Two Years Ended December 31, 1998

	<u>PERMANENTLY RESTRICTED</u>	
	<u>1998</u>	<u>1997</u>
SUPPORT AND REVENUES:		
Rural Fire District No. 2 Contract Fees:		
Ad valorem taxes	\$ 69,551	\$ 63,645
State revenue sharing	20,523	12,819
Fire insurance premium rebate	5,573	5,253
Interest income	1,323	1,186
Miscellaneous	<u>215</u>	<u>541</u>
TOTAL SUPPORT AND REVENUES	\$ 97,185	\$ 83,444
EXPENSES:		
Program Services - Fire Protection:		
Insurance	\$ 4,514	\$ 3,515
Repairs and maintenance	53,364	16,659
Fire station supplies	2,831	842
Fuel	2,916	2,559
Utilities	3,819	3,606
Telephone	3,409	3,042
Debt service	8,403	8,403
Other	364	5,839
Supporting Services:		
Accounting Fees	<u>-</u>	<u>-</u>
TOTAL EXPENSES	\$ <u>79,620</u>	\$ <u>44,465</u>
CHANGE IN NET ASSETS	\$ 17,565	\$ 38,979
NET ASSETS AT BEGINNING OF YEAR	93,247	72,037
Equipment purchased	<u>(63,123)</u>	<u>(17,769)</u>
NET ASSETS AT END OF YEAR	\$ <u>47,689</u>	\$ <u>93,247</u>

The accompanying notes are an integral part of this statement.

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

STATEMENT OF CASH FLOWS -
RURAL FIRE DISTRICT NO. 2 CURRENT RESTRICTED FUND

For the Two Years Ended December 31, 1998

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 17,565	\$ 38,979
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
(Increase) Decrease in Accounts Receivable	8,319	5,135
Increase (Decrease) in Accounts Payable	<u>9,704</u>	<u>2,448</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 35,588	\$ 46,562
CASH FLOWS FROM INVESTING ACTIVITIES:		
Equipment purchased	\$(63,123)	\$(17,769)
NET CASH FLOW FROM INVESTING ACTIVITIES	\$(63,123)	\$(17,769)
NET INCREASE (DECREASE) IN CASH	\$(27,535)	\$ 28,793
CASH AT BEGINNING OF YEAR	<u>64,510</u>	<u>35,717</u>
CASH AT END OF YEAR	<u>\$ 36,975</u>	<u>\$ 64,510</u>

The accompanying notes are an integral part of this statement.

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Two Years Ended December 31, 1998

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EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS

As of and for the Two Years Ended December 31, 1998

INTRODUCTION

The Eighth Ward Volunteer Fire Department (hereinafter referred to as the "Fire Department") is a Louisiana non-profit organization. Its purpose is to operate exclusively as a volunteer fire-fighting organization to provide fire protection and emergency response services in the Community of Robert and surrounding rural areas. The Fire Department is governed by a board of directors and officers consisting of a chief, a President, a training chief, a secretary, and a treasurer, each of which is elected by the membership. At the present time the Fire Department consists of 35 active volunteer firemen. The Fire Department maintains an office and equipment in a fire station in the Robert community.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. **BASIS OF PRESENTATION**

The financial statements have been prepared on an accrual basis and in conformity with standards promulgated by the American Institute of Certified Public Accountants in its audit guide, Audits of Certain Nonprofit Organizations and its Statement of Position 78-10.

B. **FUND ACCOUNTING**

The accounts of the Fire Department are maintained in accordance with the principles of fund accounting whereby resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Externally restricted funds may only be utilized in accordance with the purposes established by the source of the funds and are in contract with unrestricted funds over which the Board retains full control to use in achieving any of its purposes.

The accompanying financial statements present only the financial resources accounted for in the following fund:

The Rural Fire District No. 2 Current Restricted Fund represents revenues and expenses related to the operation of fire protection and emergency response services in the unincorporated rural areas surrounding the community of Robert under the terms of an agreement between the Fire Department and the Rural Fire Protection District No. 2 of Tangipahoa Parish.

The accompanying financial statements do not include the assets, liabilities, and fund balance and the support, revenues, expenses, and capital additions and cash flows reported in funds other than the Rural Fire District No. 2 Current Restricted Fund. Accordingly, the financial statements being presented are not intended to present the financial position of the Eighth Ward Volunteer Fire Department as of December 31, 1998 or its results of

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

operations or cash flows for the two years then ended in conformity with generally accepted accounting principles.

The Rural Fire District No. 2 Current Fund is considered restricted because under the terms of the contract with the Rural Fire Protection District No 2 of Tangipahoa Parish these funds "shall be expended solely for the purposes of operating, maintaining and/or purchasing of equipment and supplies...and salaries if approved by Fire District No. 2."

C. SUPPORT AND REVENUES

Support consists primarily of contract payments received from Rural Fire Protection District No. 2 of Tangipahoa Parish in the form of ad valorem taxes, state revenue sharing funds and fire insurance rebate funds. The Fire Department receives a percentage of the total funds available to Rural Fire Protection District No. 2 based on formula contained in the original contract agreed to by all participating fire departments in Tangipahoa Parish. The ad valorem tax allocation is established in January of each year and disbursed by Rural Fire Protection District No. 2 on a quarterly basis. State revenue sharing and fire insurance rebate funds are disbursed to participating fire departments by Rural Fire Protection District No. 2 as the funds become available. As a result, ad valorem taxes and interest income is recognized as income in the period earned. State revenue sharing funds, fire insurance rebate funds and all other revenues are recognized as income when received.

D. CASH

Cash includes interest bearing demand deposits.

E. INCOME TAXES

The Organization is non-profit and is exempt from income taxes under Section 501(C)(4) of the Internal Revenue Code. Therefore, no provision is made for income taxes.

F. FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash. The following methods and assumptions used by the Organization in estimating its fair value disclosures for financial instruments are:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

G. 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.

H. STATEMENT OF CASH FLOWS

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

I. FINANCIAL STATEMENT PRESENTATION

The Organization has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations". Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the new statement, the Organization does not use fund accounting.

J. CONTRIBUTIONS

The Organization has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made". Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

2. CASH

Cash at December 31, 1998, consisted of the following:

Interest Bearing Demand Deposits	\$ <u>36,975</u>
Total	\$ <u>36,975</u>

3. RECEIVABLES

Receivables include amounts due from Rural Fire Protection District No. 2 at December 31, 1998, and are summarized as follows:

Due From Rural Fire Protection District No. 2:

Ad Valorem Taxes	\$ <u>22,866</u>
------------------	------------------

No allowance for uncollectible accounts is required at December 31, 1998.

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. CONTRACT WITH RURAL FIRE PROTECTION DISTRICT NO. 2

The Tangipahoa Parish Council (the parish governing authority) created Rural Fire Protection District No. 2 of Tangipahoa Parish (District) funded by an ad valorem tax to provide fire protection and emergency response services in the rural areas of the parish. The boundaries of the District include the unincorporated areas of Tangipahoa Parish.

The Fire Department entered into an agreement with Rural Fire Protection District No. 2 to provide fire protection and emergency response services in the unincorporated rural areas in the community of Robert. Funding is provided by an ad valorem tax and related state revenue sharing.

Under the terms of the contract with the District, these funds "shall be expended solely for the purposes of operating, maintaining, and/or purchasing of equipment or supplies and salaries if approved by Fire District No. 2." Equipment purchased remains the property of the Fire District and is not recorded in the accompanying financial statements.

5. DONATED SERVICES AND FACILITIES

All of the Fire Department's program services are provided by volunteers. No amounts have been included in the financial statements for donated services since no objective basis is available to measure the value of such services and facilities.

6. FAIR VALUES OF FINANCIAL INSTRUMENTS

The estimated fair values of the Fire Department's financial instruments, none of which are held for trading purposes, are as follows:

	<u>CARRYING AMOUNT</u>	<u>FAIR VALUE</u>
Financial Assets:		
Cash	\$ <u>36,975</u>	\$ <u>36,975</u>

OTHER INDEPENDENT AUDITOR'S REPORTS
AND FINDINGS AND RECOMMENDATIONS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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June 8, 1999

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL
CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Officers of
Eighth Ward Volunteer Fire Department
Robert, Louisiana

We have audited the financial statements of the Eighth Ward Volunteer Fire Department (a non-profit organization) for the two years ended December 31, 1998, and have issued our report thereon dated June 8, 1999. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Eighth Ward Volunteer Fire Departments' 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 Eighth Ward Volunteer Fire Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the 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. 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 Eighth Ward Volunteer Fire Department's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as item 98-1.

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

A material weakness is a reportable condition in which the design or operation of one or more of the 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.

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, of the reportable conditions described above, we consider item number 98-1 to be a material weakness.

This report is intended for the information of the officers, Rural Fire Protection District No. 2 of Tangipahoa Parish and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James". The signature is written in dark ink and is positioned above the printed name of the firm.

DURNIN & JAMES, CPA'S

FINDINGS AND RECOMMENDATIONS

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

CURRENT YEAR AUDIT FINDINGS

As of and for the Two Years Ended December 31, 1998

98-1

FINDING

During our audit we noted the Fire Department did not file a federal income tax return for 1997 or 1998. Federal law requires non-profit organizations to file a tax return when gross receipts exceed \$25,000, annually. This condition was noted in the prior year audit report.

RECOMMENDATION

The Fire Department should review the tax return filing requirements for non-profit organizations and file an income tax return when filed.

MANAGEMENT'S RESPONSE

In a letter dated June 29, 1999, the Fire Department indicated that it will review the tax return filing requirements for nonprofit organizations and will file an income tax return when required.

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS

For the Year Ended December 31, 1998

<u>Ref.#</u>	<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
98-1	Federal income tax returns not filed.	The Department intends to file all required income tax returns.	Cindy Overmier	12/31/99

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

EIGHTH WARD VOLUNTEER FIRE DEPARTMENT

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As of and for the Two Years Ended December 31, 1998

Ref.#	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action Taken	Planned Corrective Action - Partial Corrective Action Taken
COMPLIANCE				
96-1	June 30, 1994	Neither general ledger nor cash journals maintained.	Yes	For 1997 and 1998 the proper records have been maintained.
96-2	June 30, 1996	Audit report filed late.	Yes	Engaged CPA timely for subsequent audit.
INTERNAL CONTROL OVER FINANCIAL REPORTING				
96-1	June 30, 1994	For 1993-1996, no budgets adopted.	Yes	Budgets were adopted for 1997 and 1998.
96-2	June 30, 1994	For 1993-1996, no federal income tax returns were filed.	No	The Department intends to file all required income tax returns.
96-3	June 30, 1996	Some paid invoices were not marked paid/did not contain adequate approval.	Yes	For 1997 and 1998, a stamp was used which contained date paid, check number, general ledger distribution, and signature approving for payment.