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R E P O R T

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

DECEMBER 31, 1998 AND 1997

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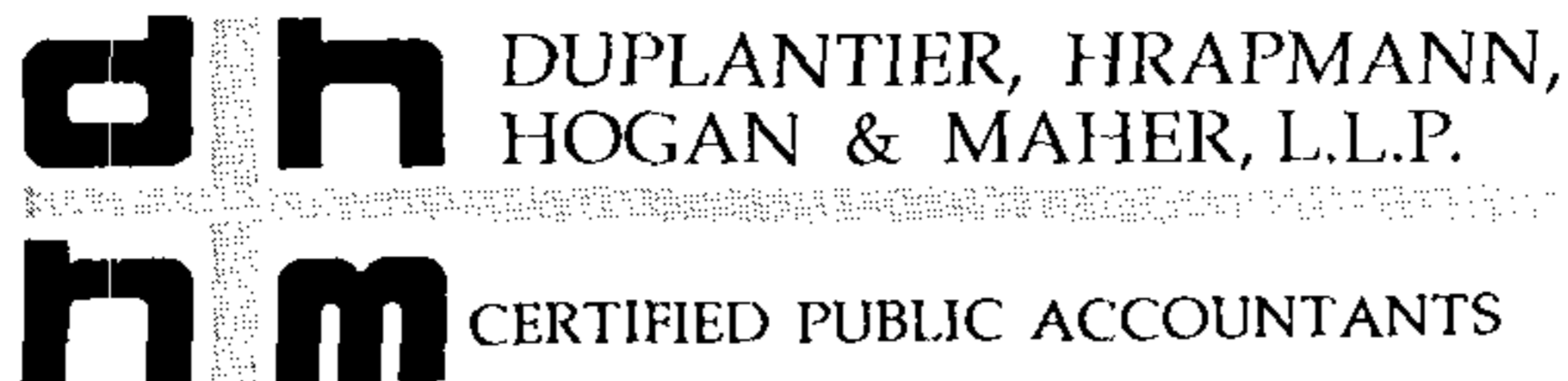
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THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

REPORT INDEX

DECEMBER 31, 1998 AND 1997

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT.....	1
FINANCIAL STATEMENTS:	
Statements of Financial Position.....	2
Statements of Activities.....	3
Statements of Functional Expenses.....	4 - 5
Statements of Cash Flows.....	6
Notes to Financial Statements.....	7 - 11
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.....	12 - 13



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## INDEPENDENT AUDITOR'S REPORT

April 9, 1999

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

We have audited the accompanying statements of financial position of Third District Volunteer Fire Department as of December 31, 1998 and 1997 and the related statements of activities, functional expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Third District Volunteer Fire Department's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Third District Volunteer Fire Department as of December 31, 1998 and 1997, and its changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated April 9, 1999 on our consideration of the Third District Volunteer Fire Department's internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grants.

*Duplantier, Hrapmann, Hogan & Maher LLP*

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 1998 AND 1997

ASSETS

	<u>1998</u>	<u>1997</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 487,377	\$ 697,779
Prepaid insurance	33,324	34,169
Deposit on fire truck	--	60,749
Prepayments to Length of Service Award Program	32,339	32,035
Total current assets	<u>553,040</u>	<u>824,732</u>
PROPERTY, PLANT AND EQUIPMENT: (Note 2)		
Land	88,621	88,621
Buildings	448,831	413,108
Fire fighting equipment	135,941	118,092
Radios	273,308	271,029
Trucks and other automotives	1,233,592	931,844
Office furniture and equipment	44,931	44,251
Total	<u>2,225,224</u>	<u>1,866,945</u>
Less accumulated depreciation	<u>(1,251,081)</u>	<u>(1,134,121)</u>
Net property, plant and equipment	<u>974,143</u>	<u>732,824</u>
Other assets	<u>5,929</u>	<u>2,456</u>
TOTAL ASSETS	<u>\$ 1,533,112</u>	<u>\$ 1,560,012</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 15,437	\$ 22,283
Unexpended insurance proceeds	707	707
Wages payable	20,339	16,907
Payroll taxes payable	3,183	2,846
Annual leave payable (Note 4)	46,335	26,633
Due to employees	182	26
Total current liabilities	<u>86,183</u>	<u>69,402</u>
LONG TERM LIABILITIES:		
Length of Service Award Program (Note 8)	<u>44,877</u>	<u>18,646</u>
Total long term liabilities	<u>44,877</u>	<u>18,646</u>
TOTAL LIABILITIES	<u>131,060</u>	<u>88,048</u>
NET ASSETS:		
Unrestricted	<u>1,402,052</u>	<u>1,471,964</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,533,112</u>	<u>\$ 1,560,012</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
UNRESTRICTED NET ASSETS:		
REVENUE: (Note 1)		
Jefferson Parish millage	\$ 666,000	\$ 666,000
Jefferson Parish sales tax and contribution	52,000	52,000
Jefferson Parish service charge	270,000	270,000
Insurance rebate	70,968	69,149
Interest	15,697	24,829
Gain on disposal of asset	--	9,623
Miscellaneous	730	844
Total revenue	<u>1,075,395</u>	<u>1,092,445</u>
EXPENSES: (Pages 4 and 5)		
Administration	65,468	30,241
Firefighting	<u>1,079,839</u>	<u>1,030,959</u>
Total expenses	<u>1,145,307</u>	<u>1,061,200</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(69,912)	31,245
Net assets - beginning of year	<u>1,471,964</u>	<u>1,440,719</u>
NET ASSETS, END OF YEAR	<u>\$ 1,402,052</u>	<u>\$ 1,471,964</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1998

	<u>ADMINISTRATION</u>	<u>FIREFIGHTING</u>	<u>TOTAL</u>
Manpower	\$ 42,689	\$ 647,654	\$ 690,343
Insurance	4,122	62,534	66,656
Utilities	1,835	27,845	29,680
Fire prevention week	266	4,038	4,304
Operating materials	1,336	20,264	21,600
Maintenance materials	1,489	22,586	24,075
Depreciation (Note 2)	7,233	109,727	116,960
Stationery and office supplies	271	4,114	4,385
Miscellaneous	683	10,370	11,053
Beverages	398	6,036	6,434
Travel, entertainment, awards and banquet	1,381	20,954	22,335
Legal and accounting fees	475	7,201	7,676
Personal safety equipment	--	15,655	15,655
Breathing apparatus	--	2,302	2,302
First aid supplies	--	3,027	3,027
Vehicle maintenance	--	46,248	46,248
Oil and gas	--	9,839	9,839
Major repairs and maintenance	1,041	15,797	16,838
Software and films	131	1,992	2,123
Length of Service Award Program	2,083	31,608	33,691
Wellness program	--	9,524	9,524
Training	35	524	559
	<u>\$ 65,468</u>	<u>\$ 1,079,839</u>	<u>\$ 1,145,307</u>
TOTAL			

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>ADMINISTRATION</u>	<u>FIREFIGHTING</u>	<u>TOTAL</u>
Manpower	\$ 19,499	\$ 652,893	\$ 672,392
Insurance	2,066	69,181	71,247
Utilities	918	30,743	31,661
Fire prevention week	--	1,430	1,430
Operating materials	--	19,549	19,549
Maintenance materials	--	26,690	26,690
Depreciation (Note 2)	2,577	86,296	88,873
Stationery and office supplies	4,155	--	4,155
Miscellaneous	250	8,415	8,665
Beverages	--	8,983	8,983
Travel, entertainment, awards and banquet	410	13,722	14,132
Legal and accounting fees	306	10,247	10,553
Personal safety equipment	--	16,720	16,720
Breathing apparatus	--	1,352	1,352
First aid supplies	--	1,242	1,242
Vehicle maintenance	--	27,688	27,688
Oil and gas	--	9,072	9,072
Major repairs and maintenance	--	6,996	6,996
Software and films	--	4,651	4,651
Length of Service Award Program (Note 8)	--	24,797	24,797
Volunteers recruitment	60	1,992	2,052
Wellness program	--	8,300	8,300
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	\$ <u>30,241</u>	\$ <u>1,030,959</u>	\$ <u>1,061,200</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in unrestricted net assets	\$ (69,912)	\$ 31,245
Adjustments to reconcile increase (decrease) in unrestricted net assets to cash provided by operating activities:		
Depreciation	116,960	88,873
Gain on disposal of asset	--	(9,623)
Decrease in prepaid insurance	845	5,052
Increase in prepayments to Length of Service Award Program	(304)	(18,189)
(Increase) decrease in deposits on fire truck	60,749	(60,749)
Increase in other assets	(3,473)	(928)
Increase (decrease) in accounts payable	(6,846)	13,816
Increase in payroll taxes payable	337	1,738
Increase in wages payable	3,432	16,907
Increase in annual leave payable	19,702	3,704
Increase in Length of Service Award Programs	26,231	1,227
Increase (decrease) in due to employees	156	(651)
Net cash provided by operating activities	<u>147,877</u>	<u>72,422</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(358,279)	(141,290)
Proceeds received from insurance company for disposal of asset	--	13,122
Net cash used in investing activities	<u>(358,279)</u>	<u>(128,168)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(210,402)	(55,746)
Cash and cash equivalents at beginning of year	<u>697,779</u>	<u>753,525</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>487,377</u>	\$ <u>697,779</u>

See accompanying notes.



THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

ORGANIZATION:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting and Presentation:

The financial statements of the fire department are prepared on the accrual basis.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the fire department 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 fire department is required to present a statement of cash flows. As of December 31, 1998 and 1997, the fire department had only unrestricted net assets.

The statement of activities presents expenses of the fire department's operations functionally between administration and program services for firefighting. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Revenue:

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

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

- A) Jefferson Parish Sales Tax - amount received is based on the number of fire stations. The subsidy is received monthly at a rate of \$750 per fire station.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue: (Continued)

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

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the fire department has defined cash and cash equivalents as follows:

	<u>1998</u>	<u>1997</u>
Cash on hand	\$ 767	\$ 667
Cash and cash equivalents in banks	354,899	590,139
Cash held by insurance company	<u>131,711</u>	<u>106,973</u>
	<u>\$487,377</u>	<u>\$697,779</u>

Supplemental Disclosures of Cash Flow Information:

Cash paid during the year for:		
Interest	\$ --	\$ --
Taxes	--	--

Donated Services:

No amounts have been reflected in the financial statements for donated services. Donated services were not recorded due to the fact that the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the fire department's program services.

2. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment consists of land, buildings, automobiles, fire trucks, fire equipment and office equipment with a value over \$500 which are carried at cost, and are being depreciated over their estimated useful lives ranging from five to forty years. Depreciation expense for the years ended December 31, 1998 and 1997 were \$116,960 and \$88,873, respectively. The cost and accumulated depreciation are as follows:

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS DECEMBER 31, 1998 AND 1997

2. PROPERTY, PLANT AND EQUIPMENT: (Continued)

	December 31, 1998		
	Property, Plant and Equipment - Cost	Accumulated Depreciation	Net Property, Plant and Equipment
Land	\$ 88,621	\$ --	\$ 88,621
Buildings	448,831	167,659	281,172
Fire fighting equipment	135,941	71,864	64,077
Radios	273,308	232,817	40,491
Trucks and other automotives	1,233,592	752,390	481,202
Office furniture and equipment	44,931	26,351	18,580
TOTAL	<u>\$2,225,224</u>	<u>\$1,251,081</u>	<u>\$974,143</u>

	December 31, 1997		
	Property, Plant and Equipment - Cost	Accumulated Depreciation	Net Property, Plant and Equipment
Land	\$ 88,621	\$ --	\$ 88,621
Buildings	413,108	149,956	263,152
Fire fighting equipment	118,092	61,760	56,332
Radios	271,029	225,167	45,862
Trucks and other automotives	931,844	674,664	257,180
Office furniture and equipment	44,251	22,574	21,677
TOTAL	<u>\$1,866,945</u>	<u>\$1,134,121</u>	<u>\$732,824</u>

3. INCOME TAXES:

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

4. ANNUAL LEAVE PAYABLE:

All full time employees of the Third District Volunteer Fire Department accumulate annual leave which is accrued annually based on each employee's accumulated hours and current rate of pay. Beginning in 1992 the amount of hours that each employee can accumulate is limited to 800 hours. Payment of annual leave must be approved by the Board. For the years ended December 31, 1998 and 1997, the amount of accrued annual leave was \$46,335 and \$26,633, respectively.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
 FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

5. PENSION PLAN:

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

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

For the years ended December 31, 1998 and 1997, the amount of pension expense was \$37,513 and \$27,578, respectively.

6. CONCENTRATION OF CREDIT RISK:

At various times during 1998 and 1997, the fire department had on deposit cash and cash equivalents in excess of FDIC insurance limits.

7. USE OF ESTIMATES:

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

8. LENGTH OF SERVICE AWARD PROGRAM:

Effective March 1, 1996, the department entered into a contract to offer volunteers a nonqualified defined benefit plan covering substantially all of its volunteers.

The amount of prior service cost at adoption of the plan was \$163,983. This amount is based on \$5.00 per month per year of past service per participant up to a maximum of twenty years. This cost is being recognized over the average estimated remaining service life of the participants or twenty six years. The amount recognized in the current period is \$6,307.

The benefits are based on years of volunteer service to the fire department at \$5.00 per month up to thirty years of service. The participant vests after five years of service. The plan is noncontributory and administered by a trustee. The assumed interest rate is 5.5%. Net periodic cost includes the following components:

	<u>1998</u>	<u>1997</u>
Service and interest cost of the current period	\$25,524	\$ 16,569
Actual interest credited	(6,562)	(5,283)
Amortization of unrecognized prior service costs	6,307	6,307
Life insurance premiums	7,717	6,499
Administrative fee	705	705
PROGRAM EXPENSE	<u>\$33,691</u>	<u>\$ 24,797</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT  
 NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

8. LENGTH OF SERVICE AWARD PROGRAM: (Continued)

The following sets forth the funded status of the plan as of December 31, 1998 and December 31, 1997:

	<u>1998</u>	<u>1997</u>
Actuarial present value of accumulated plan benefits for service rendered to date:		
Vested	\$ 188,043	\$166,011
Non-vested	<u>1,896</u>	<u>4,004</u>
	<u>\$ 189,939</u>	<u>\$170,015</u>
Actuarial present value of projected benefit obligation	\$ 285,390	\$261,715
Plan assets at fair value (included in cash on the statements of financial position)	<u>(131,711)</u>	<u>(106,973)</u>
Plan assets in deficit of projected benefit obligation	153,679	154,742
Unrecognized prior service costs	<u>(145,062)</u>	<u>(151,369)</u>
UNFUNDED PROGRAM COST	<u>\$ 8,617</u>	<u>\$ 3,373</u>
Accumulated plan benefits	\$ 189,939	\$170,015
Less: Unrecognized prior service cost	<u>145,062</u>	<u>151,369</u>
PROGRAM LIABILITY	<u>\$ 44,877</u>	<u>\$ 18,646</u>

THIRD DISTRICT VOLUNTEER FIRE CO., NO. 2  
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  
FOR THE YEAR ENDED DECEMBER 31, 1998

April 9, 1999

To the Board of Directors  
Third District Volunteer Fire Department

We have audited the financial statements of Third District Volunteer Fire Department (a nonprofit organization) as of and for the year ended December 31, 1998, and have issued our report thereon dated April 9, 1999.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to the 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 Third District Volunteer Fire Department's 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 the Third District 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. 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 operation that we consider to be material weaknesses.

Duplantier, Dupont, Hogan & Baker LLP