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R E P O R T
HARVEY VOLUNTEER FIRE CO., NO. 2
DECEMBER 31, 1998 AND 1997

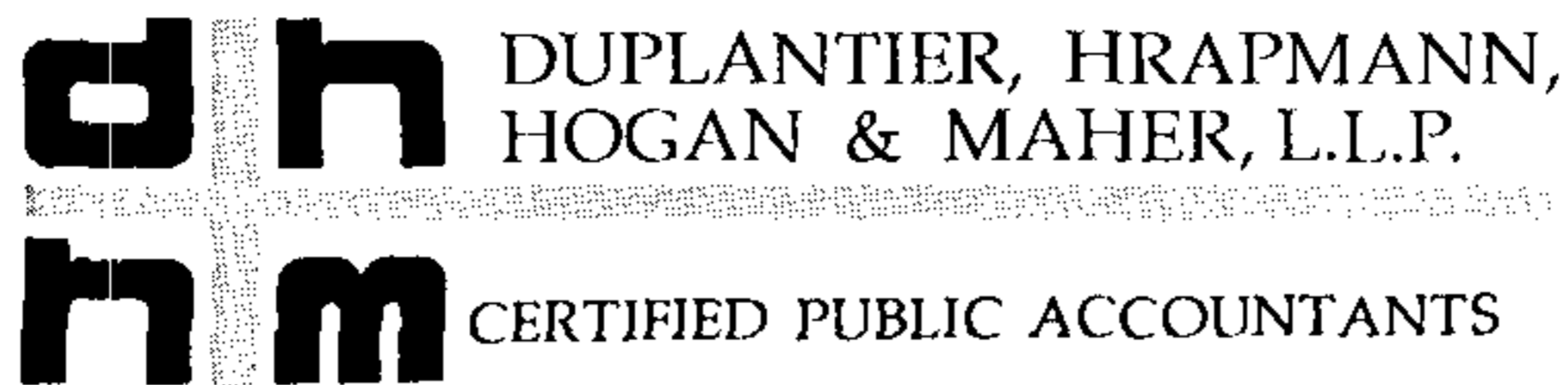
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HARVEY VOLUNTEER FIRE CO., NO 2

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DECEMBER 31, 1998 AND 1997

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INDEPENDENT AUDITOR'S REPORT

April 26, 1999

Board of Directors
Harvey Volunteer Fire Co., No. 2
P. O. Box 1053
Harvey, Louisiana 70059

We have audited the accompanying statements of financial position of Harvey Volunteer Fire Co., No. 2 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 Harvey Volunteer Fire Co., No. 2'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.

The Harvey Volunteer Fire Co., No. 2 has not established the cost or estimated cost of the building owned by the corporation. Accordingly, the financial statements do not include in the property, plant and equipment the proper carrying value of the building and other appropriate footnote disclosure, which should be included to conform with generally accepted accounting principles.

In our opinion, except for the omission of the information in the third paragraph, which results in an incomplete presentation, the financial statements referred to above present fairly, in all material respects, the financial position of Harvey Volunteer Fire Co., No. 2 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 our report dated April 26, 1999 on our consideration of the Harvey Volunteer Fire Co., No. 2's internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grants.

Duplantier, Hapmann, Hogan & Baker LLP

HARVEY VOLUNTEER FIRE CO., NO. 2
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1998 AND 1997

ASSETS

	<u>1998</u>	<u>1997</u>
CURRENT ASSETS:		
Cash in banks (Notes 1 and 2)	\$ 90,956	\$ 88,702
Cash in savings accounts (Notes 1 and 2)	69,126	132,501
Certificates of deposit (Note 3)	73,753	70,500
Insurance receivable (Note 4)	3,257	35,646
Credit Union and life insurance receivable	592	—
Prepaid expenses	12,130	3,718
Total current assets	<u>249,814</u>	<u>331,067</u>
PROPERTY, PLANT AND EQUIPMENT: (Note 1)		
Land and land improvements	15,787	15,787
Furniture and fixtures	49,880	49,565
Autos and trucks	128,127	110,511
Equipment	1,628,007	1,540,008
Building improvements	49,999	47,170
Total	<u>1,871,800</u>	<u>1,763,041</u>
Less: Accumulated depreciation	1,633,372	1,550,983
Net property, plant and equipment	<u>238,428</u>	<u>212,058</u>
TOTAL ASSETS	<u>\$ 488,242</u>	<u>\$ 543,125</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 25,695	\$ 10,844
Salaries payable	3,503	20,061
Credit Union and life insurance payable	—	245
Due to employees	974	607
Insurance claims payable (Note 4)	2,485	22,737
Total current liabilities	<u>32,657</u>	<u>54,494</u>
NET ASSETS:		
Unrestricted	<u>455,585</u>	<u>488,631</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 488,242</u>	<u>\$ 543,125</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 1998 AND 1997

	<u>1998</u>	<u>1998</u>
UNRESTRICTED NET ASSETS:		
REVENUE: (Note 1)		
Jefferson Parish millage	\$ 1,011,000	\$ 1,011,000
Jefferson Parish sales tax	12,000	12,000
Miscellaneous	5,128	4,293
Fund raising	570	150
Sale of assets	--	4,450
Insurance rebate	48,923	47,047
Interest	6,153	7,175
Other Parish revenues	36,962	25,430
Rental	5,650	6,000
Total revenue	<u>1,126,386</u>	<u>1,117,545</u>
EXPENSES: (Pages 5 and 6)		
Firefighting	1,082,988	1,058,107
Support services:		
Administrative and general	76,444	37,237
Total expenses	<u>1,159,432</u>	<u>1,095,344</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(33,046)	22,201
Net assets, beginning of year	<u>488,631</u>	<u>466,430</u>
NET ASSETS, END OF YEAR	<u>\$ 455,585</u>	<u>\$ 488,631</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1998

	FIREFIGHTING	ADMINISTRATIVE AND GENERAL	TOTAL
EXPENSES:			
Accounting and legal	\$ 6,239	\$ 470	\$ 6,709
Bank charges	224	17	241
Convention, seminars and classes	8,667	652	9,319
Copy machine	587	44	631
Depreciation	76,622	5,767	82,389
Dues and subscriptions	2,578	194	2,772
Meals and entertainment	16,357	1,231	17,588
Fire equipment	--	--	--
Fuel	10,461	--	10,461
Fundraising - (Christmas/Spring Campaign)	--	834	834
Gifts and flowers	857	64	921
Insurance	154,420	11,623	166,043
Medical supplies	543	--	543
Miscellaneous	24,466	1,842	26,308
Office supplies	2,998	226	3,224
Payroll processing	4,189	315	4,504
Payroll taxes	45,446	3,421	48,867
Postage	1,207	91	1,298
Promotional	3,628	273	3,901
Repairs and maintenance	29,951	2,254	32,205
Radio	6,744	--	6,744
Salaries	602,612	45,359	647,971
Telephone and utilities	23,479	1,767	25,246
Uniforms	4,716	--	4,716
Vehicle repairs	55,997	--	55,997
	<u>\$ 1,082,988</u>	<u>\$ 76,444</u>	<u>\$ 1,159,432</u>
TOTAL EXPENSES			

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>FIREFIGHTING</u>	<u>ADMINISTRATIVE AND GENERAL</u>	<u>TOTAL</u>
EXPENSES:			
Accounting and legal	\$ 5,461	\$ 1,998	\$ 7,459
Bank charges	44	--	44
Convention, seminars and classes	16,651	604	17,255
Copy machine	907	33	940
Depreciation	80,347	2,914	83,261
Dues and subscriptions	3,130	114	3,244
Meals and entertainment	12,137	440	12,577
Fire equipment	215	8	223
Fuel	11,131	--	11,131
Gifts and flowers	883	32	915
Interest	--	--	--
Insurance	141,454	5,130	146,584
Medical supplies	406	--	406
Miscellaneous	15,304	555	15,859
Office supplies	4,254	154	4,408
Payroll processing	2,763	100	2,863
Payroll taxes	43,592	1,581	45,173
Postage	1,244	45	1,289
Promotional	2,788	101	2,889
Repairs and maintenance	23,073	837	23,910
Radio	7,196	--	7,196
Salaries	598,462	21,706	620,168
Telephone and utilities	24,395	885	25,280
Uniforms	5,341	--	5,341
Vehicle repairs	56,929	--	56,929
	<u>\$ 1,058,107</u>	<u>\$ 37,237</u>	<u>\$ 1,095,344</u>
TOTAL EXPENSES			

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
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	\$ (33,046)	\$ 22,201
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	82,389	83,261
Gain on sale of property and equipment	--	(4,450)
Interest income on certificates of deposit	(3,253)	(3,226)
(Increase) decrease in prepaid expenses	(8,412)	7,800
(Increase) decrease in insurance accounts receivable	32,389	(35,646)
(Increase) decrease in Credit Union and life insurance receivable	(592)	--
Increase (decrease) in salaries payable	(16,558)	10,519
Increase (decrease) in accounts payable	14,851	(8,474)
Increase (decrease) in insurance claims payable	(20,252)	7,333
Increase (decrease) in Credit Union and life insurance payable	(245)	(840)
Increase (decrease) in due to employees	367	--
Net cash provided by operating activities	<u>47,638</u>	<u>78,478</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	--	4,450
Purchase of certificates of deposit	--	(13,000)
Purchase of property and equipment	(108,759)	(110,931)
Net cash used in investing activities	<u>(108,759)</u>	<u>(119,481)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(61,121)	(41,003)
Cash and cash equivalents at beginning of year	<u>221,203</u>	<u>262,206</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>160,082</u>	\$ <u>221,203</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

ORGANIZATION:

The fire department was organized on July 8, 1948 to provide the citizens in the Sixth Fire Protection District with fire protection and related services. The department is under a ten (10) year contract signed February 14, 1994 and effective for the period April 1, 1994 through March 31, 2004, with Jefferson Parish to provide fire protection to the Sixth Fire Protection District. The majority of the fire department's revenue is derived from this contract. The department also responds to emergencies consisting of floods, hurricanes, etc. The department consists of three fire stations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting and Presentation:

The fire company's policy is to prepare financial statements on the accrual basis. Under that basis, revenues are recognized when earned and expenses are recognized when incurred.

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 program services for firefighting and administrative and general. 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 current contract for the period April 1, 1994 through March 31, 2004, 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 Sixth Fire Protection District. In addition, the fire department receives quarterly subsidies per fire station.

Effective January 1, 1991, the Jefferson Parish Millage Assessment that is allocated to the Sixth Fire Protection District increased from 10 mills to 15 mills. The increase in the millage assessment was approved by a public election held on July 21, 1990. The amount received and used for operations was \$1,011,000 for 1998 and 1997.

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue: (Continued)

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.
- 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.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, the fire department has defined cash and cash equivalents as all items on the statement of financial position identified as cash in banks and savings accounts as follows:

	<u>1998</u>	<u>1997</u>
Cash in banks	\$ 90,956	\$ 88,702
Cash in savings accounts	<u>69,126</u>	<u>132,501</u>
	<u>\$160,082</u>	<u>\$221,203</u>

Supplemental Disclosures of Cash Flow Information:

	<u>1998</u>	<u>1997</u>
Cash paid during the year for:		
Interest	\$ --	\$ --
Taxes	--	--
Non-cash investing activities:		
Interest income on certificates of deposit rolled over	3,253	\$ 3,226

Property, Plant and Equipment:

Property, plant and equipment consists of automobiles, fire trucks, building improvements, fire equipment and office equipment which are all carried at cost, and are being depreciated over their estimated useful lives using accelerated methods. Depreciation expense for the years ended December 31, 1998 and 1997 was \$82,389 and \$83,261, respectively. The cost and accumulated depreciation are as follows:

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)Property, Plant and Equipment: (Continued)

	December 31, 1998		
	Property, Plant and Equipment - Cost	Accumulated Depreciation	Net Property, Plant and Equipment
Land and land improvements	\$ 15,787	\$ 3,450	\$ 12,337
Furniture and fixtures	49,880	37,197	12,683
Auto and trucks	128,127	79,958	48,169
Equipment	1,628,007	1,501,298	126,709
Building improvements	49,999	11,469	38,530
	<u>\$1,871,800</u>	<u>\$1,633,372</u>	<u>\$238,428</u>
	December 31, 1997		
	Property, Plant and Equipment - Cost	Accumulated Depreciation	Net Property, Plant and Equipment
Land and land improvements	\$ 15,787	\$ 2,465	\$ 13,322
Furniture and fixtures	49,565	30,801	18,764
Auto and trucks	110,511	54,055	56,456
Equipment	1,540,008	1,453,950	86,058
Building improvements	47,170	9,712	37,458
	<u>\$1,763,041</u>	<u>\$1,550,983</u>	<u>\$212,058</u>

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. CASH:

Deposits are carried at cost.

	RATE OF INTEREST 1998	RECONCILED BALANCE DECEMBER 31, 1998	RATE OF INTEREST 1997	RECONCILED BALANCE DECEMBER 31, 1997
Whitney National Bank				
Operating	--	\$18,486	--	\$ 1,145
Payroll	--	65,110	--	60,843
Fund raising	--	708	--	358
General fund	--	6,557	--	26,253
Insurance disbursement	--	95	--	103
		<u>\$90,956</u>		<u>\$ 88,702</u>

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

2. CASH: (Continued)

	<u>RATE OF INTEREST 1998</u>	<u>RECONCILED BALANCE DECEMBER 31, 1998</u>	<u>RATE OF INTEREST 1997</u>	<u>RECONCILED BALANCE DECEMBER 31, 1997</u>
Cash - Savings				
Whitney National Bank - Hospitalization	1.74%	\$ 624	2.40%	\$ 26,268
Whitney National Bank - Harvey #2	1.89%	18,674	2.60%	34,668
Whitney National Bank - Sixth District	2.03%	<u>49,828</u>	2.75%	<u>71,565</u>
		<u>\$69,126</u>		<u>\$132,501</u>

Concentrations of Credit Risk:

As shown above, for the years ended December 31, 1998 and 1997, the fire department maintained its cash balances in one financial institution located in the New Orleans area. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At various times throughout the year balances at the financial institution were above the \$100,000 amount insured by the FDIC. At December 31, 1998 and 1997, the fire department's uninsured bank balances total \$67,931 and \$126,399, respectively.

3. CERTIFICATES OF DEPOSIT:

	<u>RATE OF INTEREST 1998</u>	<u>1998</u>	<u>RATE OF INTEREST 1997</u>	<u>1997</u>
Certificates of Deposit:				
Eureka Homestead Society				
Maturing 2/10/99 (6 months)	3.87%	\$12,209	4.10%	\$ 11,722
Maturing 8/17/99 (12 months)	4.11%	6,179	4.58%	5,909
Maturing 2/05/99 (6 months)	3.87%	23,972	4.10%	23,017
Maturing 6/14/99 (6 months)	3.69%	16,851	4.10%	16,176
Maturing 3/07/02 (60 months)	6.06%	<u>14,542</u>	6.06%	<u>13,676</u>
		<u>\$73,753</u>		<u>\$ 70,500</u>

4. SELF INSURANCE:

Harvey Volunteer Fire Company No. 2 has a self-insurance hospitalization plan. The self-insurance program involves co-insurance with an independent insurance company. The fire department is responsible for 100% of the first \$10,000 of claims per individual up to an aggregate amount of \$82,000. Any claim in excess of \$10,000 or the aggregate is covered by the insurance company. The estimated claims payable for incurred but not reported claims at December 31, 1998 and 1997 was \$2,485 and \$22,737, respectively. These amounts are reflected as current liabilities on the statements of financial position.

HARVEY VOLUNTEER FIRE CO., NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1998 AND 1997

4. SELF INSURANCE: (Continued)

During 1998, Harvey Volunteer Fire Company No. 2 paid claims that exceeded the company's self insurance liability. These claims are due to Harvey Volunteer Fire Company No. 2 from the insurance company. The receivable amount at December 31, 1998 is \$3,257 and is reflected as a receivable on the statement of financial position.

5. INCOME TAXES:

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

6. 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.

HARVEY 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 26, 1999

To the Board of Directors
Harvey Volunteer Fire Co., No. 2

We have audited the financial statements of Harvey Volunteer Fire Co., No. 2 (a nonprofit organization) as of and for the year ended December 31, 1998, and have issued our report thereon dated April 26, 1999. In our report, our opinion was qualified because the Harvey Volunteer Fire Co. No. 2 has not established the cost or estimated cost for the building owned by the corporation. Accordingly, the financial statements do not include in the property, plant and equipment the proper carrying value of the building and other appropriate footnote disclosure, which should be included to conform with generally accepted accounting principles.

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 Harvey Volunteer Fire Co., No. 2'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 Harvey Volunteer Fire Co., No. 2'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. However, we noted other matters involving the internal control over financial reporting that we have noted in the following paragraphs.

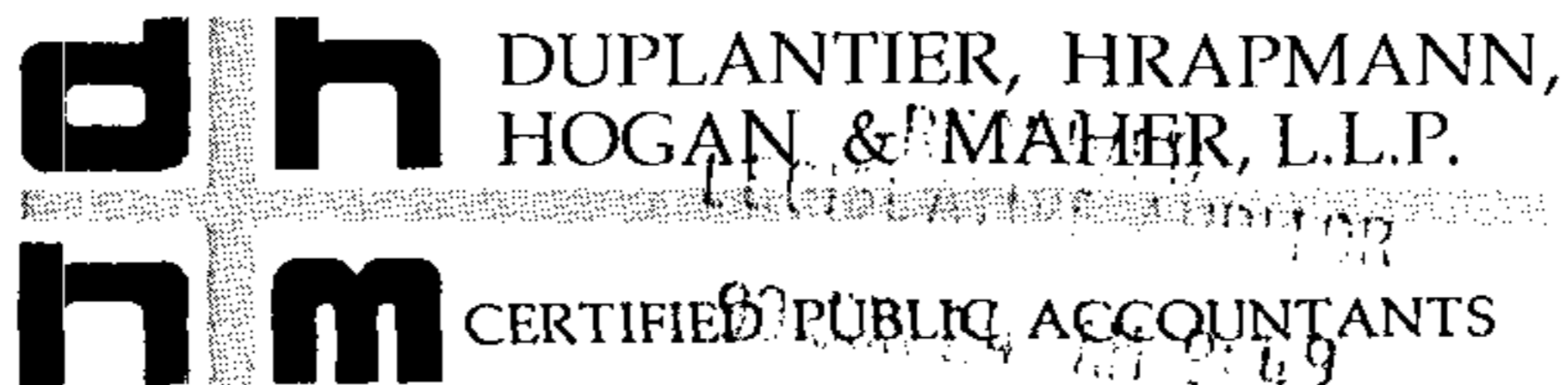
Harvey Volunteer Fire Co., No. 2 paid year end wages during 1998. These wages were not reported on employees W-2's and related payroll taxes were not withheld. We recommend that the company report all employee wages to the payroll service to ensure proper withholdings and reporting of employee wages.

Harvey Volunteer Fire Co. No., 2 did not maintain summary minutes of Board of Directors Meetings for July, August and September, 1998. We recommend the Fire Department maintain minutes for each meeting of the Board of Directors.

As noted in the prior year Harvey Volunteer Fire Co., No. 2 maintains cash balances at one financial institution located in the New Orleans area. Accounts at the institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At various times during the year cash balances exceeded the insured amount. At December 31, 1998 and 1997 the fire department's uninsured bank balances amounted to \$67,931 and \$126,399, respectively. We recommend the fire department consider investing funds in a manner as to not exceed FDIC insurance.

This report is intended for the information of the Board of Directors, management, and applicable parish, state or federal agencies. However, this report is a matter of public report, and its distribution is not limited.

Dyrlantier, Hrapmann, Hagan & Baker LLP



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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LA. C.P.A.'S

April 26, 1999

Legislative Auditor
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Baton Rouge, LA 70804-9397

Dear Sir or Madam:

SCHEDULES AND DATA COLLECTION FORM
SECTION 1 SUMMARY OF AUDITOR'S REPORTS

A. FINANCIAL STATEMENT AUDIT OPINION

We have audited the financial statements of the Harvey Volunteer Fire Co., No. 2 as of and for the year ended December 31, 1998, and have issued our report thereon dated April 26, 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 as of December 31, 1998 resulted in a qualified opinion.

The opinion was qualified because the Harvey Volunteer Fire Co., No. 2 has not established the cost or estimated cost of the building owned by the corporation. Accordingly, the financial statements do not include in the property, plant and equipment, the proper carrying value of the building and other appropriate footnote disclosure, which should be included to conform with generally accepted accounting principles.

B. REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL STATEMENTS

Internal Control

Material weaknesses: none noted

Reportable conditions: none noted

Compliance

Noncompliance material to financial statements: none noted

SECTION 2 FINANCIAL STATEMENT FINDINGS

CURRENT YEAR FINDINGS:

1) Wages Paid:

A portion of December wages were paid to employees which were not reported to the payroll service. These wages were omitted from the employees W-2's. Also, the related payroll taxes were not withheld from the wages.

SECTION 2 FINANCIAL STATEMENT FINDINGS (Continued)

CURRENT YEAR FINDINGS: (Continued)

1) Wages Paid: (Continued)

Management's policy is that all wages will be reported to the payroll service. The Fire Company will review its policies relating to payroll and report all wages to the payroll service. Reporting of payroll expenses to the payroll service will be handled by Paulette Guidry Mataya. All payments to employees will be reported to the payroll service for the year ended December 31, 1999.

2) Board Minutes:

A summary of board minutes was not recorded for three of the meetings held during the year ended December 31, 1998.

The position of secretary changed during the year, and as a result, board minutes were not maintained during the transition period. Board minutes have subsequently been maintained.

3) Cash Balances:

The Harvey Volunteer Fire Co., No. 2 maintains cash balances at one financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC).

At December 31, 1998, the Fire Company had amounts in excess of the FDIC insured limit of \$100,000. The Fire Company periodically reviews cash balances and monitors amounts in excess of insured limits.

PRIOR YEAR FINDING:

1) Wages Paid:

A portion of December wages were paid to employees which were not reported to the payroll service. These wages were omitted from the employees W-2's. Also, the related payroll taxes were not withheld from the wages.

2) Board Minutes:


A summary of board minutes was not recorded for four of the meetings held during the year ended December 31, 1997.

3) Cash Balances:

At December 31, 1997, the Fire Company had amounts in excess of the FDIC insured limit of \$100,000. The Fire Company periodically reviews cash balances and monitors amounts in excess of insured limits.

Sincerely,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP


Lindsay J. Calub, CPA
Partner

Harvey Volunteer Fire Co. No. 2

JEFFERSON PARISH - SIXTH DISTRICT



Get Out, Stay Out:
Your Fire Safe Response

June 18, 1999

Legislative Auditor
Engagement Processing
Post Office Box 94397
Baton Rouge, LA 70804-9397

Dear Sir or Madam:

MANAGEMENT'S CORRECTIVE ACTION PLAN

The following represents our responses regarding the audit of the Harvey Volunteer Fire Co., No. 2 for the year ended December 31, 1998.

A. FINANCIAL STATEMENT AUDIT OPINION:

We have audited the financial statements of the Harvey Volunteer Fire Co., No. 2 as of and for the year ended December 31, 1998, and have issued our report thereon dated April 26, 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 as of December 31, 1998 resulted in a qualified opinion.

The opinion was qualified because the Harvey Volunteer Fire Co., No. 2 has not established the cost or estimated cost of the building owned by the corporation. Accordingly, the financial statements do not include in the property, plant and equipment, the proper carrying value of the building and other appropriate footnote disclosure, which should be included to conform with generally accepted accounting principles.

Management's Response:

The reason that we have not reflected the original cost of the one building that Harvey Volunteer Fire Company No. 2 owns is that records were not available to substantiate the actual cost of the building. At the time the building was built in 1949, the company maintained its records on the cash receipts and disbursements basis. We began preparing formal financial statements for the year ended 1987 when we engaged Certified Public Accountants to perform an audit.

If we were able to locate cost records we could record the original cost, however, we would also have to record the related depreciation which would most likely result in an immaterial net book value. Presently, as we make expenditures related to property and equipment, these costs are being capitalized such as building improvements.

B. MATTERS REPORTED IN THE 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:

CURRENT YEAR:

1) Wages Paid:

A portion of December wages were paid to employees which were not reported to the payroll service. These wages were omitted from the employees W-2's. Also, the related payroll taxes were not withheld from the wages.

Managements Response:

Management's policy is that all wages will be reported to the payroll service. The Fire Company will review its policies relating to payroll and report all wages to the payroll service. Reporting of payroll expenses to the payroll service will be handled by Paulette Guidry Mataya. All payments to employees will be reported to the payroll service for the year ending December 31, 1999.

2) Board Minutes:

A summary of board minutes was not recorded for three of the meetings held during the year ended December 31, 1998.

Management's Response:

The position of secretary changed during the year, and as a result, board minutes were not maintained during the transition period. Board minutes have subsequently been maintained.

3) Cash Balances:

The Harvey Volunteer Fire Co., No. 2 maintains cash balances at one financial institution in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC).

Management's Response:

During the year our cash balances exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC). However, the amount of our cash balances fluctuates during the year and there are times when the FDIC coverage is sufficient. We have been using Whitney National Bank for our banking purposes and are satisfied with the services and reputation of this institution. We will continue monitoring our cash balances that exceed FDIC coverage.

PRIOR YEAR FINDINGS:

1) Wages Paid:

A portion of December wages were paid to employees which were not reported to the payroll service. These wages were omitted from the employees W-2's. Also, the related payroll taxes were not withheld from the wages.

Management's Response:

The payments made to employees were not reported to the payroll service. Payments in the future will be reported to the payroll service.

2) Board Minutes:

A summary of board minutes was not recorded for four of the meetings held during the year ended December 31, 1997.

Management's Response:

Due to a computer problem, the above board minutes were lost. Subsequently, a hard copy is being kept on file at the fire station.

3) Cash Balances:

At December 31, 1997, the Fire Company had amounts in excess of the FDIC insured limit of \$100,000. The Fire Company periodically reviews cash balances and monitors amounts in excess of insured limits.

Management's Response:

The Fire Company continues to review cash balances and monitors amounts in excess of insured limits.

This response along with your request will be distributed to our governing body. If any further information is needed, please contact us.

Yours very truly,

HARVEY VOLUNTEER FIRE CO., NO. 2



Michael Reason, President