

MAHONVILLE VOLUNTEER FIRE DEPARTMENT, INC.
Mahonville, Louisiana

**General Purpose Financial Statements
(Excluding the Private Membership Account)
and
Independent Auditor's Report
As of and for the Year Ended December 31, 2003
With Supplemental Information Schedules**

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INDEPENDENT AUDITORS' REPORT

**Board of Directors
Hahnville Volunteer Fire Department, Inc.
Hahnville, Louisiana**

We have audited the accompanying general purpose financial statements of the Hahnville Volunteer Fire Department, Inc. as of and for the year ended December 31, 2003, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the Hahnville Volunteer Fire Department, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and generally accepted governmental auditing standards contained in the Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the Comptroller General of the United States of America. 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 audit provides a reasonable basis for our opinion.

The financial statements do not include the assets, liabilities, and fund balances and revenues and expenditures of the Membership Account Fund. Accordingly, the accompanying financial statements are not intended to present, as a whole, the financial position of Hahnville Volunteer Fire Department, Inc. as of December 31, 2003, and the results of its operations and changes in fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Hahnville Volunteer Fire Department, Inc. as of December 31, 2003, and the results of operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards generally accepted in the United States of America, we have also issued a report dated June 21, 2004, on our consideration of the Hahnville Volunteer Fire Department, Inc.'s internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

June 21, 2004

HAIRYVILLE VOLUNTEER FIRE DEPARTMENT, INC.

COMBINED BALANCE SHEET-
ALL FUND TYPES AND ACCOUNT GROUPS
(EXCLUDING THE PRIVATE MEMBERSHIP ACCOUNT)

December 31, 2003

	Governmental		Account Groups		Total (Memorandum Only)
	Fund Type	General Fund	General Fixed Assets	Long-Term Liabilities	
ASSETS					
Cash	\$ 363,427.83	\$ -	\$ -	\$ -	\$ 363,427.83
Tax Revenue receivable	8,894.81	-	-	-	8,894.81
Receivable from membership account	404.00	-	-	-	404.00
Grants receivable	111,478.00	-	-	-	111,478.00
Fire protection vehicles	-	\$77,867.00	-	-	\$77,867.00
Equipment	-	\$43,193.00	-	-	\$43,193.00
Land	-	\$47,000.00	-	-	\$47,000.00
Building	-	1,008,707.00	-	-	1,008,707.00
Accounts-to-be credited for settlement of long-term debt	-	-	-	-	-
	-	-	179,249.00	-	179,249.00
Total Assets	\$ 486,100.64	\$ 2,275,777.80	\$ 179,249.00	\$ -	\$ 2,871,236.64
LIABILITIES AND FUND EQUITY					
Liabilities					
Accounts payable	\$ 4,304.13	\$ -	\$ -	\$ -	\$ 4,304.13
Notes payable	-	-	179,249.00	-	179,249.00
Total liabilities	\$ 4,304.13	\$ -	\$ 179,249.00	\$ -	\$ 183,553.13
Fund equity and other credits					
Investment in general fund assets	\$ -	\$ 2,275,777.80	\$ -	\$ -	\$ 2,275,777.80
Fund balances					
Unreserved - designated for firefighting equipment and supplies	111,882.00	-	-	-	111,882.00
Unreserved - unassigned	202,226.00	-	-	-	202,226.00
Total fund equity and other credits	\$ 314,108.00	\$ 2,275,777.80	\$ -	\$ -	\$ 2,871,236.64
Total liabilities, fund equity and other credits	\$ 418,412.13	\$ 2,275,777.80	\$ 179,249.00	\$ -	\$ 2,871,236.64

HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.
COMBINED STATEMENT OF REVENUES, EXPENDITURES
& FUND BALANCE - GENERAL FUND
(EXCLUDING THE PRIVATE MEMBERSHIP ACCOUNT)

For the one year ended December 31, 2003

REVENUES	
Ad valorem tax	\$ 11,524.00
State tax	75,044.00
Fire insurance rebate	12,447.00
Interest	4,003.04
Donations - in kind (see note 6)	52,000.00
Grants	188,110.00
Other revenue	1,800.00
	<u>350,928.04</u>
Total revenues	
	<u>\$ 350,928.04</u>
EXPENDITURES	
Current	
Electricity	\$ 1,328.00
Natural gas	843.00
Telephone	3,370.70
Water	547.00
Equipment maintenance	28,605.00
Equipment repair	2,268.88
Fuel	3,000.00
Building materials & supplies	700.00
Building maintenance	3,874.04
Building insurance	13,004.00
Fire vehicle insurance	7,470.00
Fire vehicle maintenance	60.00
Training	3,000.00
Personal items/food	4,700.00
Personalized equipment	8,000.00
Personal insurance	71,000.00
Fire prevention	2,700.01
Salaries	20,720.81
Payroll taxes	2,400.43
Advertising	84.00
Accounting & auditing	1,015.00
Dues & subscriptions	807.04
Office expenses	2,873.20
Postage	200.00
Meetings & conventions	2,040.17
Installation of officers	3,700.70
Meals	3,664.00
Maintenance	30.00
Capital Outlay	
Land	20,000.00
Equipment	50,000.00
Retirement (Long-term Debt)	
Principal retirement	20,000.41
Interest	11,063.70
	<u>268,784.76</u>
Total expenditures	
	<u>\$ 268,784.76</u>
Excess of revenues over expenditures	
	<u>\$ 82,143.28</u>
Fund balance	
Beginning of year	<u>280,091.67</u>
End of year	<u>\$ 362,234.95</u>

See notes to financial statements.

HAHMVILLE VOLUNTEER FIRE DEPARTMENT, INC.
HAHMVILLE, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

INTRODUCTION

The Hahnville Volunteer Fire Department, Inc. (Fire Department) was organized as a non-profit corporation as defined by Revised Statutes of Louisiana Title 12, Section 101 (8). The Fire Department is exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code. Its objective is to provide fire protection to the Parish of St. Charles.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of presentation

The accompanying financial statements of the Fire Department have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting entity

Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification) established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. The Fire Department is not a governmental unit although it receives a substantial amount of its revenue from the St. Charles Parish Council. As a result of a contractual agreement, the Fire Department is accountable to the Parish Council for fiscal matters. The St. Charles Parish Council does not appoint the governing board, or management. The Fire Department reports as an independent reporting entity.

C. Fund accounting

The Fire Department uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.
HAHNVILLE, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund accounting (continued)

The only fund of the Fire Department is classified as a governmental fund type. The governmental fund accounts for the Fire Department's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental fund of the Fire Department is:

General Fund - the general operating fund of the Fire Department that accounts for all financial activity, except those required to be accounted for in other funds.

D. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The operating statement presents increases and decreases in net current assets. The Fire Department's records are maintained on the cash basis of accounting. However, the financial statements have been converted to the modified accrual basis of accounting using 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 and are available to the Fire Department. Sales taxes become payable to the School Board on the first day of the month, and become delinquent on the 20th of the month, following collection of the taxes by the business.

Ad valorem taxes are recorded in the year the taxes are collected by the St. Charles Parish Sheriff and are available to the Fire Department. Ad valorem taxes are payable to the Sheriff prior to December 31 and become delinquent after that date.

Grants are recorded in the year they are awarded. A receivable is recorded for any amounts not yet collected at year-end.

HAMMILL VOLUNTEER FIRE DEPARTMENT, INC.
HAMMILL, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of accounting (continued)

Interest income is recorded when the cash is available to the Fire Department.

All other revenues are recorded when received.

Expenditures -

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

E. Memorandum Only columns

The total columns captured "Memorandum Only" 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. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

F. Encumbrances

The Fire Department does not use encumbrance accounting.

G. Cash and cash equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits.

H. Inventories

Physical inventories consist of expendable supplies held for consumption.

Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

I. Fixed assets

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. Interest cost incurred during construction is not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical costs or estimated cost if historical cost is not available.

HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.
HAHNVILLE, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Long-term obligations

Long-term obligations are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental fund when due.

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2003, the Fire Department has cash (book balance) totaling \$303,427.63 as follows:

General Fund

Riverland Credit Union - share acct	\$ 6.18
Riverland Credit Union - Accumulation acct	70,475.28
First American Bank - checking	132,941.47
Taft Carbide Credit Union - share account	5.02
Taft Carbide Credit Union - CD's	<u>100,000.00</u>
Total Cash	<u>\$ 303,427.63</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2003, the Fire Department has \$70,481.44 in deposits (collected bank balances) at Riverland Credit Union. These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Category 1). At December 31, 2003, the Fire Department has \$136,207.69 in deposits (collected bank balances) at First American Bank. These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Category 1) and by \$150,000 pledged securities (GASB Category 3). At December 31, 2003, the Fire Department has \$100,005.02 in deposits (collected bank balances) at Taft Carbide Federal Credit Union. These deposits are secured from risk by \$100,000 of federal deposit insurance (GASB Category 1).

HARRVILLE VOLUNTEER FIRE DEPARTMENT, INC.
HARRVILLE, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 2. CASH AND CASH EQUIVALENTS (continued)

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 36:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Fire Department that the fiscal agent failed to pay deposited funds upon demand.

NOTE 3. TAX REVENUE RECEIVABLE

The receivables at December 31, 2003 consisted of sales taxes in the amount of \$ 9,894.51.

NOTE 4. GRANTS RECEIVABLE

Grants receivable at December 31, 2003, consisted of two grants, which were awarded during the year. These grants were received in fiscal year 2004 and are as follows:

FEMA	\$ 107,257.00
LA Department of Agriculture and Forestry	4,162.00
Total Grants Receivable	<u>\$ 111,419.00</u>

NOTE 5. AD VALOREM TAX

Effective July 21, 1990, ad valorem tax in the amount of 1.6 mills is collected by the St. Charles Parish Sheriff to be used for the fire protection of the Parish of St. Charles. The funds are distributed when collected to the nine individual fire departments of the St. Charles Parish Firemen's Association, Inc. by the parish's Department of Finance.

NOTE 6. SALES TAX

Effective March 1, 1990, sales tax in the amount of 1/8% is collected by the St. Charles Parish School Board to be used for fire protection of the Parish of St. Charles. The funds are distributed monthly to the nine individual fire departments of the St. Charles Parish Firemen's Association, Inc. by the parish's Department of Finance.

NAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.
NAHNVILLE, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 7. GRANTS

During 2003, the Department was awarded three grants totaling \$116,419.00. Two of these grants required matching funds to be made by the Department. A description of the grants is as follows:

DOW Grant

This grant was awarded to the Department on August 29, 2003, to assist with medical squad expenses. The total amount of the grant was \$5,000. The Department received the funds in early October. As of December 31, 2003, the Department applied \$4,568.67 to purchases and had \$401.33 remaining.

FEMA Grant

This grant was awarded to the Department on August 29, 2003, to purchase 25 SCBA's, 25 Bottles, and 12 sets of bunker gear. The total amount of the grant was \$167,357 and required matching funds from the Department of \$11,918. The Department did not receive any of the proceeds from the grant until after year-end; therefore, the entire grant was reported as receivable at December 31, 2003 and was revenue in 2003. The grant is also reported as part of unreserved - designated fund balance on the balance sheet.

LA Department of Agriculture and Forestry Grant

This grant was awarded to the Department in early October of 2003, to assist in the purchase of replacement hoses. The total amount of the grant was \$4,180 and required \$7,624 of matching funds from the Department. The Department did not receive any of the proceeds from the grant until after year-end; therefore, the entire grant was reported as receivable at December 31, 2003 and was recorded in revenue in 2003. The grant is also reported as part of unreserved - designated fund balance on the balance sheet.

HAMMILL VOLUNTEER FIRE DEPARTMENT, INC.
HAMMILL, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 8. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 12/31/2002	Additions	Deletions	Balance 12/31/2003
Fire Protection Vehicles	\$ 677,867.55	\$ -		\$ 677,867.55
Equipment	431,315.66	16,637.00	-	447,952.66
Buildings	1,005,707.02	-	-	1,005,707.02
Land	115,000.00	32,000.00	-	147,000.00
Total	\$ 2,229,890.23	\$ 48,637.00	\$ -	\$ 2,278,527.23

During the year, the Department received two donated assets which are reported as donations - in kind on the statement of revenues, expenditures, and fund balances. Both of these assets were valued at their estimated fair market value on the date of donation. These assets along with their estimated fair market values are as follows:

Asset	Estimated Fair Market Value
Automated External Callbox	\$ 1,000.00
Land in Fashion Plantation	32,000.00
Total Donations - in Kind	\$ 33,000.00

NOTE 9. LEASES

In November of 2003, the Department entered into a lease with St. Charles Parish for a piece of property adjacent to the donated property in Fashion Plantation. The Department is leasing this property in order to meet with the parking requirements of the Parish code when it builds its station on the donated property. The lease term is for 20 years subject to renewal for as long as the Department has a fire station on the property adjacent to it.

HANNVILLE VOLUNTEER FIRE DEPARTMENT, INC.
HANNVILLE, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 10. PAID ADMINISTRATOR

During 2003, the Department began a paid administrator position. This person will be under the general direction of the president and fire chief. This administrator will direct and supervise the fire suppression activities of the Department in the absence of a fire line officer, and is also responsible for all record keeping activities, fire prevention activities, and other activities assigned by the Department.

NOTE 11. GENERAL LONG-TERM LIABILITIES

A summary of changes in general long term liabilities follows:

	Note payable to First National Bank "LPD"IA"
Long term obligations payable at December 31, 2002	\$ 307,960.34
Additions	-
Deductions	<u>(88,020.41)</u>
Long term obligations payable at December 31, 2003	<u>\$ 179,945.83</u>

The required payments including interest are approximately \$40,000 per year until 2014. However, the Department paid more than minimum amount in 2000 & 2001. Net interest cost is 5.7%.

HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.
HAHNVILLE, LOUISIANA

Notes to the Financial Statements
(Excluding the Private Membership Account)
As of and for the Year Ended December 31, 2003

NOTE 12. UNRESERVED - DESIGNATED FUND BALANCE

The Department has a fund balance - unreserved - designated for firefighting equipment and supplies in the amount of \$111,820.00 at December 31, 2003. This unreserved - designated fund balance was created by grants reported as revenue during the year which have not satisfied their restrictions as of year-end. The unreserved - designated fund balance was made up of the following:

<u>Grant Source</u>	<u>Amount of Designated Fund Balance at Year-end</u>
DOW	\$ 481.55
FEMA	107,287.00
LA Department of Agriculture and Forestry	4,152.00
	<u>\$ 111,820.00</u>

NOTE 13. LITIGATION AND CLAIMS

At December 31, 2003, the Fire Department had no litigation or claims pending.

NOTE 14. GASB 34 Implementation

The Governmental Accounting Standards Board (GASB) issued Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Government, in June 1999. The date of implementation is effective in three phases based on a government's total annual revenues in the first fiscal year ending after June 15, 1999 (earlier application is encouraged). The Fire Department is required to implement the provisions of the pronouncement for financial statements for the period beginning after June 15, 2003, because total revenues were less than \$10 million in the year ending December 31, 1999.

SUPPLEMENTAL INFORMATION SCHEDULES

HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.**Summary of Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2003****Ref. No.**

02/12-01

Fiscal Year Finding Initially Occurred

All previous years

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Hahnville Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Taken (Yes, No, Partially)

No

Planned Corrective Action/Partial Corrective Action Taken

None

Additional Explanation

This is a common reportable condition noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition cannot be remedied in a cost effective manner.

HAHNVILLE VOLUNTEER FIRE DEPARTMENT, INC.

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2003**

Ref. No.

0312-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the Hahnville Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Planned

No corrective action plan is taken because of the size of the entity.

Name of Contact Person

Mohin Lauront, Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition cannot be remedied in a cost-effective manner.

**OTHER REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS**



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

**Board of Directors
Hahnville Volunteer Fire Department, Inc.
Hahnville, Louisiana**

We have audited the general purpose financial statements of the Hahnville Volunteer Fire Department, Inc. as of and for the year ended December 31, 2003, and have issued our report thereon dated June 21, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. As stated in the Independent Auditor's Report, the scope of the audit did not include the Private Membership Account. Therefore, the Private Membership Account was not included for testing of compliance and internal controls.

Compliance

As part of obtaining reasonable assurance about whether the Hahnville 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 the Hahnville 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 single matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involves 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 the entity'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 corrective action plan for the current year audit findings as item 0212-011 on page 15.

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, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness.

This report is intended solely for the information and use of the Department's Board and those governments for which reporting is required. However, this report is a matter of public record, and its distribution is not limited.



June 21, 2004