

**EAST SIDE ST. CHARLES PARISH
VOLUNTEER FIRE DEPARTMENT, INC.**

Destrehan, Louisiana

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

Under provisions of state law this report is a public document. Access to the report has been limited to the entity and other appropriate state officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: 7-28-04

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EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.

Distributia, Louisiana

December 31, 2000

Table of Contents

	Statements	Page No.
Table of Contents		i
Independent Auditor's Report		2
General Purpose Financial Statements:		
Combined Balance Sheet - General Fund and Account Group	A	3
Combined Statement of Revenues, Expenditures, & Changes in Fund Balance - General Fund	B	4
Notes to the Financial Statements		5 - 12
	Schedules	
Supplemental Information Schedules:		
Summary Schedule of Prior Year Audit Findings	1	13
Corrective Action Plan for Current Year Audit Finding: 811201	2	14
	Exhibit	
Other Reports Required By Governmental Auditing Standards:		
Report on Compliance and on Internal Controls Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	A	15 - 18



INDEPENDENT AUDITOR'S REPORT

**Board of Directors
East Side St. Charles Parish Volunteer Fire Department, Inc.
Destrehan, Louisiana**

We have audited the accompanying general purpose financial statements of the East Side St. Charles Parish 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 East Side St. Charles Parish 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 generally accepted auditing standards 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.

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

In accordance with Government Auditing Standards generally accepted in the United States of America, we have also issued a report dated June 23, 2004, on our consideration of the East Side St. Charles Parish 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 23, 2004

**EAST SIDE ST. CHARLES PARISH
VOLUNTEER FIRE DEPARTMENT, INC.
Destrehan, Louisiana**

COMBINED BALANCE SHEET
GENERAL FUND AND ACCOUNT GROUP

December 31, 2003

	<u>Governmental Fund Type</u>	<u>Account Group</u>	
	<u>General Fund</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
Assets			
Cash	\$ 384,712	\$ -	\$ 384,712
Due from St. Charles Parish Council	24,000	-	24,000
Prepaid insurance	21,000	-	21,000
Fixed assets		<u>3,152,802</u>	<u>3,152,802</u>
Total Assets	<u>\$ 409,712</u>	<u>\$ 3,152,802</u>	<u>\$ 3,562,514</u>
Liabilities			
Accounts payable and accrued expenditures	<u>\$ 8,844</u>	<u>\$ -</u>	<u>\$ 8,844</u>
Total liabilities	<u>\$ 8,844</u>	<u>\$ -</u>	<u>\$ 8,844</u>
Fund equity and other credits			
Investment in general fixed assets	\$ -	\$ 3,152,802	\$ 3,152,802
Fund balances:			
Reserved for prepaid insurance	21,000	-	21,000
Unreserved	<u>382,012</u>	<u>-</u>	<u>382,012</u>
Total fund equity and other credits	<u>\$ 403,012</u>	<u>\$ 3,152,802</u>	<u>\$ 3,555,814</u>
Total liabilities, fund equity and other credits	<u>\$ 409,712</u>	<u>\$ 3,152,802</u>	<u>\$ 3,562,514</u>

See notes to financial statements.

**EAST SIDE ST. CHARLES PARISH
VOLUNTEER FIRE DEPARTMENT, INC.
Destrehan, Louisiana**

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GENERAL FUND**

For the year ended December 31, 2003

Revenues	
Taxes	
Sales	\$ 285,760
Aut sales tax	173,241
Fire insurance rebate	57,556
Miscellaneous:	
Interest earned	3,081
Other	<u>2,084</u>
Total revenues	<u>521,722</u>
Expenditures	
Public safety:	
Other services and charges	63,357
Materials and supplies	28,013
Repairs and maintenance	30,158
Capital outlay	<u>200,852</u>
Total expenditures - public safety	<u>322,380</u>
Excess of revenues over expenditures	199,342
Fund balance	
Beginning of year	<u>284,490</u>
End of year	<u>\$ 483,832</u>

See notes to financial statements.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of East Side St. Charles Parish Volunteer Fire Department, Inc. (the Department) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

a. Reporting Entity

The Department is organized as a nonprofit quasi-governmental corporation to provide fire protection to the Parish of St. Charles.

The Department has reviewed all of its activities and determined that there are no potential component units which should be included in the financial statements.

b. Fund Accounting

The Department uses funds 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 government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, 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.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Fund Accounting (Continued)

Governmental Funds

Governmental Funds are those through which the governmental functions of the Department are financed. The acquisition, use, and balances of the Department's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the Governmental Fund of the Department:

General Fund - The General Fund is the general operating fund of the Department. It is used to account for all financial resources.

Account Group - The account group is used to establish accounting and control and accountability. The Department's Account Group is as follows:

Fixed Assets Account Group - This account group is used to account for fixed assets not accounted for in proprietary or trust funds.

c. Basis of Accounting

Basis of accounting refers to what revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Basis of Accounting (Continued)

The General Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. Ad valorem taxes are recognized as revenue in the year received from the Parish Government.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for notes payable principal and interest which are reported as expenditures in the year due.

d. Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. As a result, actual results could differ from these estimates.

e. Accounts Receivable

The financial statements of the Department contain no allowance for bad debts. Uncollectible receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the General Fund.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2003

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. The Account Group is not a fund. It is concerned only with the measurement of financial position.

It is not involved with the measurement of results of operations. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost.

g. Tax Status

The Department maintains that it qualifies under Section 501(c)(4) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws.

h. Memorandum Only - Total Column

The total column on the financial statements are captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2000

Note 2 - DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the Department or its agent in the Department's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the Department's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agent but not in the Department's name and deposits which are uninsured or uncollateralized.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2003

Note 2 – DEPOSITS (continued)

The year-end bank balances of deposits and the carrying amount as shown on the combined balance sheet are as follows:

	Bank Balances			Total Bank Balance
	Category			
	1	2	3	
Cash	<u>\$ 128,524</u>	<u>\$ 238,158</u>	<u>\$ -</u>	<u>\$ 366,682</u>

At December 31, 2003, cash in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the Department. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 30:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2003

Note 3 - FIXED ASSETS

A summary of changes in fixed assets follows:

	Balance 12/31/02	Additions	Disposals	Balance 12/31/03
Land	\$ 10,299	\$ 75,266	\$ -	\$ 85,470
Buildings	644,099	-	-	644,099
Vehicles	1,659,365	-	-	1,659,365
Equipment	638,882	79,084	-	717,976
Construction in Progress	-	45,689	-	45,689
	<u>\$ 2,952,670</u>	<u>\$ 300,332</u>	<u>\$ -</u>	<u>\$ 3,152,852</u>

During 2003, the Department began the preparation for the construction of a new station. The costs associated with the construction of the station will accumulate in a construction in progress account until the station is complete. Upon completion, the total cost of the station will be moved into the buildings account. The anticipated date of completion is November 29, 2004 at an estimated cost of \$955,675.

Note 4 - FIRE PROTECTION CONTRACT

According to a contract entered into by the St. Charles Parish Fireman's Association, Inc. and the St. Charles Parish Council, the volunteer fire department will provide fire protection to the residents of St. Charles Parish. In exchange for the fire protection provided to the Parish, the Department receives a percentage of the one-eighth cent sales tax. The Department receives a monthly base amount of \$2,000 plus 23.57% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2003 was \$205,700.

In 1980 the voters of St. Charles Parish approved a property tax millage of 1.5 mills for the purpose of fire protection. The St. Charles Parish Council remits one-ninth of the total property taxes to the Department. The total property tax for the year ended December 31, 2003 was \$113,241.

**East Side St. Charles Parish
Volunteer Fire Department, Inc.**

Notes to Financial Statements

December 31, 2003

Note 5 - COMPENSATION OF BOARD MEMBERS

No compensation was paid to Board Members for the year ended December 31, 2003.

Note 6 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to volunteers; and natural disasters. The Department has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the year that exceeded the Department's insurance coverage.

Note 7 - LEASE COMMITMENTS

The Department has entered into two operating leases with St. Charles Parish at no cost to the Department as follows:

<u>Location</u>	<u>Term</u>
Parcel T-1A of Diamond Country Club	Twenty years commencing November 5, 2002
Fire Station, 13902 River Road, Destrehan including all improvements	Expires September 1, 2010

NOTE 8 - 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

**EAST SIDE ST. CHARLES PARISH
VOLUNTEER FIRE DEPARTMENT, INC.**

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

Ref. No.

0212-01

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 East Side St. Charles Parish 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 corrective action plan is taken because of the size of the entity.

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.

**EAST SIDE ST. CHARLES PARISH
VOLUNTEER FIRE DEPARTMENT, INC.**

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

Ref. No.

03/12-01

Description of Finding

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the East Side St. Charles Parish 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

Charles Camp, Treasurer

Anticipated Completion Date

None

Additional Explanation

This is a common reportable condition noted in audits of small entities. The Fire Department's office does not employ enough people in its accounting department to adequately segregate duties.

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

**East Side St. Charles Parish Volunteer Fire Department, Inc.
Destrehan, Louisiana**

We have audited the general purpose financial statements of the East Side St. Charles Parish Volunteer Fire Department, Inc. as of and for the year ended December 31, 2003, and have issued our report thereon dated June 23, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the East Side St. Charles Parish 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 East Side St. Charles Parish 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 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 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 0212-01 on page 14.

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 for the information of management. However, this report is a matter of public record, and its distribution is not limited.



June 23, 2004