

REPORT  
HERBERT WALLACE MEMORIAL  
VOLUNTEER FIRE COMPANY  
DECEMBER 31, 2003

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

Release Date 8-4-04

HERBERT WALLACE MEMORIAL  
VOLUNTEER FIRE COMPANY

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## INDEPENDENT AUDITOR'S REPORT

March 12, 2004

Board of Directors  
Herbert Wallace Memorial  
Volunteer Fire Company

We have audited the accompanying statement of financial position of Herbert Wallace Memorial Volunteer Fire Company (a Louisiana nonprofit corporation) as of December 31, 2003, and the related statements of activities, functional expenses, and cash flows for the period from inception March 17, 2003 through December 31, 2003. These financial statements are the responsibility of Herbert Wallace Memorial Volunteer Fire Company's management. 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 the standards applicable to financial audits contained in *Government Auditing Standards*, 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 financial statements referred to above present fairly, in all material respects, the financial position of Herbert Wallace Memorial Volunteer Fire Company as of December 31, 2003, and the changes in its net assets and its cash flows for the period from inception March 17, 2003 through December 31, 2003 in accordance with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2004 on our consideration of the Herbert Wallace Memorial Volunteer Fire Company's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

**Duplantier, Hrapmann, Hogan & Maher, LLP**

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2003

ASSETS

CURRENT ASSETS:

Cash and cash equivalents (Note 1)	\$ 135,157
Accounts receivable	<u>150</u>
Total current assets	<u>135,307</u>

PROPERTY AND EQUIPMENT: (Note 1)

Equipment	4,620
Furniture and fixtures	<u>9,861</u>
Total	14,481
Less: accumulated depreciation	<u>(752)</u>
Net property and equipment	<u>13,729</u>

TOTAL ASSETS \$ 149,036

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Due to Jefferson Parish (Note 1)	\$ 296
Accrued payroll	<u>3,226</u>
Total current liabilities	<u>3,522</u>

NET ASSETS:

Unrestricted	<u>145,514</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 149,036

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
 STATEMENT OF ACTIVITIES  
FOR THE PERIOD FROM INCEPTION MARCH 17, 2003 THROUGH DECEMBER 31, 2003

## UNRESTRICTED NET ASSETS:

## Revenues: (Note 1)

Jefferson Parish contract	\$ 454,212
Community Service Grant	2,204
Jefferson Parish insurance rebate	<u>10,275</u>
Total revenue	<u>466,691</u>

## EXPENSES:

Firefighting (Page 4)	291,289
Support services:	
Administrative and general (Page 4)	<u>29,888</u>
Total expenses	<u>321,177</u>

INCREASE IN UNRESTRICTED NET ASSETS 145,514

Net assets - beginning of period           -

NET ASSETS - END OF PERIOD \$ 145,514

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE PERIOD FROM INCEPTION MARCH 17, 2003 THROUGH DECEMBER 31, 2003

	<u>Firefighting</u>	<u>Administrative And General</u>	<u>Total</u>
EXPENSES: (Note 1)			
Auto repairs and upkeep	\$ 3,660	\$ -	\$ 3,660
Bank charges	-	99	99
Conventions	-	1,496	1,496
Contract labor	28,173	-	28,173
Depreciation	752	-	752
Drinks and snacks	105	-	105
Dues and fees	-	76	76
Donations	-	200	200
Flowers and gifts	-	698	698
Insurance	59,270	-	59,270
Licenses and taxes	5	-	5
Meals	-	52	52
Meeting expenses	-	1,636	1,636
Office expense	-	2,878	2,878
Payroll service	1,453	-	1,453
Payroll taxes	12,380	-	12,380
Postage and meter	-	621	621
Printing	-	302	302
Professional services	-	6,927	6,927
Repairs - equipment, radios, trucks	13,761	-	13,761
Salaries	136,587	-	136,587
Signs	2,204	-	2,204
Socials	-	1,500	1,500
Station supplies	17,609	-	17,609
Telephone	-	1,708	1,708
Training and supplies	4,349	-	4,349
Uniforms	10,981	-	10,981
Utilities	-	11,695	11,695
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL EXPENSES	<u>\$ 291,289</u>	<u>\$ 29,888</u>	<u>\$ 321,177</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM INCEPTION MARCH 17, 2003 THROUGH DECEMBER 31, 2003

<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Increase in net assets	\$ 145,514
Adjustments to reconcile increase in net assets to cash provided by operating activities:	
Depreciation	752
Increase in accounts receivable	(150)
Increase in accrued payroll	3,226
Increase in due to Jefferson Parish	296
Net cash provided by operating activities	<u>149,638</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Acquisition of equipment	<u>(14,481)</u>
 Net cash used in investing activities	 <u>(14,481)</u>
 <b>INCREASE IN CASH</b>	 135,157
Cash and cash equivalents at beginning of period	<u>-</u>
 <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	 \$ <u>135,157</u>

See accompanying notes.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

ORGANIZATION:

Herbert Wallace Memorial Volunteer Fire Company (the fire company) began operating as a nonprofit corporation on March 17, 2003 to provide the citizens in the Seventh Fire Protection District with fire protection and related services. The fire company also responds to emergencies such as floods and hurricanes. The fire company is under a month-to-month contract with Jefferson Parish. The majority of the fire company's revenue was derived from this contract. The company operates one fire station and has twelve paid employees and approximately twenty-eight volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby 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 company 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 company is required to present a statement of cash flows. As of December 31, 2003, the fire company had only unrestricted net assets.

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

Promises To Give:

Gifts are recognized when the donor makes a promise to give to the fire company that is, in substance, unconditional. Gifts that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the gifts are recognized. All other donor-restricted gifts are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.



HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Sources of Revenue:

Herbert Wallace Memorial Volunteer Fire Company (HW) is one of five contractual fire companies of the Seventh Fire District, Parish of Jefferson. The Seventh Fire District of the Parish of Jefferson levies an ad valorem tax on assessed property of the district. The sum of this collection is equally divided between the five contractual volunteer fire companies of the district on a monthly pro-rata basis. The monthly allocation to HW for 2003 was \$34,249 which they received for nine months.

In addition, the Parish of Jefferson provided HW start-up costs in the amount of \$45,000 and excess funds in the amount of \$100,806 from WKB Volunteer Fire Company, the previous fire company that provided fire protection and related services for the specific area. The total received under the contract including the monthly allocation, start-up costs and excess funds was \$454,212 for the nine months ended December 31, 2003.

The fire company also received a grant from the Parish in the amount of \$2,500 to be used by the station to purchase neighborhood signs for the public safety of citizens of Jefferson Parish. Of the \$2,500, HW used \$2,204 to purchase the signs. The remaining difference of \$296 is to be repaid to the Parish.

The fire company also participates in a fire insurance tax rebate program with Jefferson Parish. Jefferson Parish receives a rebate on the State of Louisiana's two percent (2%) fire insurance tax collected by the Commissioner of Insurance. The State of Louisiana determines the amount to be received by each fire district based on total population served. Herbert Wallace Memorial Volunteer Fire Company shares equally in the amount received by the Seventh District with each of the other four fire companies. The insurance rebate received during 2003 was \$10,275.

Property and Equipment:

HW capitalizes purchases of assets with a cost of \$500 or more. Property and equipment consists of equipment and furniture and fixtures that are carried at historical cost. All assets are depreciated over their estimated useful lives on the straight-line basis. Depreciation expense for 2003 was \$752.

Cash and Cash Equivalents:

For the purposes of reporting of cash flows, HW considers cash in operating bank accounts, demand deposits, cash on hand, and highly liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Deposits:

The fire company's bank deposits were fully covered by federal depository insurance and by securities pledged by the financial institution and held in the name of the fire company.

Donated Services:

Amounts have not been reflected in the financial statements for donated services because 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 company's program services.

2. INCOME TAXES:

The fire company is exempt from income taxes under Internal Revenue Code Section 501(c)(3) as a nonprofit organization and, accordingly, the financial statements do not reflect a provision for income taxes.

3. USE 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 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.

4. COMPENSATED ABSENCES:

The fire company has not accrued a liability for compensated absences as of December 31, 2003. Management believes this liability would be immaterial to the financial statements.

5. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the fire company, they are not included in these financial statements.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2003

6. FAIR VALUE OF FINANCIAL INSTRUMENTS:

Statement of Financial Accounting Standards No. 107, *Disclosures About Fair Value of Financial Instruments*, requires disclosure of the fair value of certain financial instruments. The book value of cash and cash equivalents, accounts receivable and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

7. CONCENTRATION OF CREDIT RISKS:

The fire company's income is derived primarily from a contract with Jefferson Parish to provide firefighting and rescue services.

8. USE OF ASSETS OWNED BY JEFFERSON PARISH:

The fire station and all the firefighting equipment is owned by Jefferson Parish. The fire company uses these assets as part of the contract with Jefferson Parish.



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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

March 12, 2004

To the Board of Directors  
Herbert Wallace Memorial  
Volunteer Fire Company

We have audited the financial statements of Herbert Wallace Memorial Volunteer Fire Company (a nonprofit organization) as of December 31, 2003 and for the period from inception March 17, 2003 through December 31, 2003, and have issued our report thereon dated March 12, 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.

Compliance

As part of obtaining reasonable assurance about whether Herbert Wallace Memorial Volunteer Fire Company'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 Herbert Wallace's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Herbert Wallace's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of current year findings as items 03-01 through 03-03.

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 an employee in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-01 through 03-02 to be material weaknesses.

This report is intended solely for the information and use of management, the Board and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

**Duplantier, Hrapmann, Hogan & Maher, LLP**

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
 SCHEDULE OF CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION I: SUMMARY OF AUDITOR'S RESULTS:

a. Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that  
are not considered to be material weakness?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

SECTION II: FINANCIAL STATEMENT FINDINGS:

**INTERNAL CONTROL – MATERIAL WEAKNESS**

**03-01 Fixed Asset Inventory**

<u>Condition</u>	The fire company did not do a physical inventory of its fixed assets during 2003.
<u>Criteria</u>	An inventory should be done annually to provide the fire company with an accurate update of the condition and location of its assets. The resulting fixed asset list should then be reconciled to the general ledger to ensure the assets are properly recorded in the accounting records and that the list includes all the assets that are recorded.
<u>Cause</u>	Lack of written procedures. We consider this to be a material weakness.
<u>Effect</u>	This could lead to misstatement of the financial statements. It could also cause insurance problems if assets are lost and claims have to be filed.
<u>Recommendation</u>	We recommend the implementation of an annual inventory of fixed assets to include determination of items that no longer exist and also those that are obsolete. Those items should be removed from the list. Further, the completed inventory should be reconciled to the general ledger.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
 SCHEDULE OF CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION II: FINANCIAL STATEMENT FINDINGS: (Continued)

**INTERNAL CONTROL – MATERIAL WEAKNESS (Continued)**

**03-01 Fixed Asset Inventory (Continued)**

Management's

Action Plan

We will implement procedures that require an annual inventory of fixed assets. In addition, we will assign personnel to reconcile the completed inventory to the general ledger.

**03-02 Vacation and Sick Time Accrual Record Keeping**

Condition

It was noted during the audit that accrued vacation and sick time is not maintained.

Criteria

This information should be kept current. Many payroll services offer vacation and sick time tracking as an ancillary component to their service. Vacation and sick time accrued and used with each payroll is reported to the payroll service and the employee's remaining vacation and sick time is computed. Vacation and sick time accrual reports are included with each payroll and, often, the system is such that an employee's leave is reported to them on their paycheck stub.

Cause

Lack of automated system which tracks vacation and sick time.

Effect

An employee may have more or less vacation or sick time than actual if not tracked.

Recommendation

We suggest that some type of automated system, such as the one we have described above, should be investigated to enhance the overall efficiency of the process.

Management's

Action Plan

We will implement procedures that require accrued vacation and sick time to be maintained. We will inquire if our current payroll service company offers vacation and sick time tracking. If they do not, we will assign an employee to track vacation and sick time for all employees each payroll period.

**INTERNAL CONTROL – REPORTABLE CONDITIONS**

**03-03 Board Minutes**

Condition

The board minutes that we reviewed were not signed.

HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
SCHEDULE OF CURRENT YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003

SECTION II: FINANCIAL STATEMENT FINDINGS: (Continued)

**INTERNAL CONTROL – REPORTABLE CONDITIONS** (Continued)

**03-03 Board Minutes** (Continued)

<u>Criteria</u>	Minutes act as the official record of the actions approved by the Board. Normally, the minutes are prepared by the secretary of the corporation who also signs the minutes as the preparer. The minutes are then approved at the next meeting of the Board. Another officer should then sign after approval to signify such approval. Those minutes are then recognized as the official record of the meeting.
<u>Cause</u>	Lack of written procedures.
<u>Effect</u>	This could cause confusion as to the actions actually approved by the Board.
<u>Recommendation</u>	We recommend that the Board minutes be signed by the secretary upon completion and by the president upon approval.
<u>Management's Action Plan</u>	We will implement procedures that require written approval of board minutes.



HERBERT WALLACE MEMORIAL VOLUNTEER FIRE COMPANY  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2003

This is the first year of operations. There was no prior year.