

REPORT
HARVEY VOLUNTEER FIRE CO., NO. 2
DECEMBER 31, 2003 AND 2002

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.

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HARVEY VOLUNTEER FIRE CO., NO. 2

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DUPLANTIER, HRAPMANN,
HOGAN & MAHER, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

MICHAEL J. O'ROURKE, C.P.A.
WILLIAM G. STAMM, C.P.A.
CLIFFORD J. GIFFIN, JR, C.P.A.
DAVID A. BURGARD, C.P.A.
LINDSAY J. CALUB, C.P.A., L.L.C.
GUY L. DUPLANTIER, C.P.A.
MICHELLE H. CUNNINGHAM, C.P.A.
DENNIS W. DILLON, C.P.A.

ANN M. HARGES, C.P.A.
ROBIN A. STROHMEYER, C.P.A.

KENNETH J. BROOKS, C.P.A., ASSOCIATE

1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

A.J. DUPLANTIER JR, C.P.A.
(1919-1985)
FELIX J. HRAPMANN, JR, C.P.A.
(1919-1990)
WILLIAM R. HOGAN, JR, C.P.A.
(1920-1996)
JAMES MAHER, JR, C.P.A.
(1921-1999)

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INDEPENDENT AUDITOR'S REPORT

March 8, 2004

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 (a Louisiana nonprofit corporation) as of December 31, 2003 and 2002 and the related statements of activities, functional expenses 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 auditing standards generally accepted in the United States of America 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 opinions.

In our opinion, 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, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity 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 8, 2004 on our consideration of Harvey Volunteer Fire Co., No. 2's internal control over financial reporting and our test 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, L.L.P.

HARVEY VOLUNTEER FIRE CO., NO. 2
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2)	\$ 794,372	\$ 618,989
Certificates of deposit (Note 3)	69,377	68,302
Prepaid expenses	7,747	452
Total current assets	<u>871,496</u>	<u>687,743</u>
PROPERTY, PLANT AND EQUIPMENT: (Note 1)		
Land and land improvements	73,787	73,787
Furniture and fixtures	102,361	85,096
Autos and trucks	204,550	204,550
Equipment	2,180,722	2,182,499
Building improvements	118,654	93,954
Construction in progress	1,050	1,050
Total	<u>2,681,124</u>	<u>2,640,936</u>
Less: Accumulated depreciation	<u>2,138,800</u>	<u>1,991,550</u>
Net property, plant and equipment	<u>542,324</u>	<u>649,386</u>
OTHER ASSETS:		
Certificate of deposit (Note 3)	<u>19,180</u>	<u>18,342</u>
 TOTAL ASSETS	 <u>\$ 1,433,000</u>	 <u>\$ 1,355,471</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,531	\$ 20,534
Salaries payable	24,932	14,624
Other payables	3,837	-
Insurance claims payable (Note 4)	18,017	13,647
Total current liabilities	<u>53,317</u>	<u>48,805</u>
NET ASSETS:		
Unrestricted	<u>1,379,683</u>	<u>1,306,666</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,433,000</u>	 <u>\$ 1,355,471</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
UNRESTRICTED NET ASSETS:		
REVENUE: (Note 1)		
Contract revenue:		
Jefferson Parish millage	\$ 1,740,000	\$ 2,160,000
Insurance rebate	64,571	58,300
Miscellaneous	10,750	7,955
Fund raising	3,238	3,360
Interest	3,811	4,671
Rental	6,500	5,500
Total revenue	<u>1,828,870</u>	<u>2,239,786</u>
EXPENSES: (Pages 5 and 6)		
Firefighting services	1,487,000	1,435,172
General and administrative	268,282	269,327
Fundraising	571	1,675
Total expenses	<u>1,755,853</u>	<u>1,706,174</u>
INCREASE IN UNRESTRICTED NET ASSETS	73,017	533,612
Net assets, beginning of year	<u>1,306,666</u>	<u>773,054</u>
NET ASSETS, END OF YEAR	<u>\$ 1,379,683</u>	<u>\$ 1,306,666</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Firefighting Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:				
Accounting and legal	\$ 6,354	\$ 1,121	\$ -	\$ 7,475
Bank charges	360	64	-	424
Convention, seminars and classes	21,686	3,827	-	25,513
Copy machine	881	156	-	1,037
Depreciation	141,286	24,933	-	166,219
Dues and subscriptions	4,879	861	-	5,740
Meals and entertainment	23,753	4,192	-	27,945
Fuel	15,826	-	-	15,826
Fundraising	-	-	571	571
Gifts and flowers	7,566	1,335	-	8,901
Insurance	248,606	43,872	-	292,478
Interest	-	-	-	-
Medical supplies	3,342	-	-	3,342
Miscellaneous	23,117	4,080	-	27,197
Office supplies	5,209	919	-	6,128
Payroll processing	6,613	1,167	-	7,780
Payroll taxes	54,952	9,697	-	64,649
Postage	1,631	288	-	1,919
Promotional	10,795	1,905	-	12,700
Repairs and maintenance	57,927	8,851	-	66,778
Radio	5,337	-	-	5,337
Retirement	-	26,652	-	26,652
Salaries	731,961	129,170	-	861,131
Sale of assets	1,822	321	-	2,143
Telephone and utilities	27,601	4,871	-	32,472
Uniforms	7,890	-	-	7,890
Vehicle repairs	<u>77,606</u>	<u>-</u>	<u>-</u>	<u>77,606</u>
TOTAL EXPENSES	\$ <u>1,487,000</u>	\$ <u>268,282</u>	\$ <u>571</u>	\$ <u>1,755,853</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
 STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Firefighting Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:				
Accounting and legal	\$ 8,401	\$ 1,721	\$ -	\$ 10,122
Bank charges	164	34	-	198
Convention, seminars and classes	20,668	4,233	-	24,901
Copy machine	940	192	-	1,132
Depreciation	128,148	26,247	-	154,395
Dues and subscriptions	5,858	1,200	-	7,058
Meals and entertainment	15,953	3,268	-	19,221
Fuel	13,851	-	-	13,851
Fundraising	-	-	1,675	1,675
Gifts and flowers	4,258	872	-	5,130
Insurance	241,763	49,518	-	291,281
Interest	3,409	698	-	4,107
Medical supplies	4,088	-	-	4,088
Miscellaneous	38,641	7,914	-	46,555
Office supplies	4,000	819	-	4,819
Payroll processing	7,508	1,538	-	9,046
Payroll taxes	51,445	10,537	-	61,982
Postage	1,677	344	-	2,021
Promotional	9,050	1,854	-	10,904
Repairs and maintenance	45,704	9,265	-	54,969
Radio	9,575	-	-	9,575
Retirement	21,573	4,418	-	25,991
Salaries	683,503	139,995	-	823,498
Sale of assets	-	-	-	-
Telephone and utilities	22,751	4,660	-	27,411
Uniforms	6,182	-	-	6,182
Vehicle repairs	86,062	-	-	86,062
TOTAL EXPENSES	\$ <u>1,435,172</u>	\$ <u>269,327</u>	\$ <u>1,675</u>	\$ <u>1,706,174</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
 STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$ 73,017	\$ 533,612
Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities:		
Depreciation	166,219	154,395
(Gain) loss on disposal of property and equipment	2,143	(453)
(Increase) decrease in prepaid expenses	(7,296)	(39)
Increase (decrease) in salaries payable	10,308	3,827
Increase (decrease) in accounts payable	(14,005)	15,645
Increase (decrease) in insurance claims payable	4,371	(10,104)
Increase (decrease) in other payables	3,837	-
Net cash provided by operating activities	<u>238,594</u>	<u>696,883</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of certificates of deposit	(1,912)	(2,395)
Proceeds from sale of property and equipment	-	1,900
Purchase of property and equipment	(61,299)	(192,730)
Increase in construction in progress	-	(1,050)
Net cash used in investing activities	<u>(63,211)</u>	<u>(194,275)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	<u>-</u>	<u>(157,921)</u>
Net cash used in financing activities	<u>-</u>	<u>(157,921)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	175,383	344,687
Cash and cash equivalents at beginning of year	<u>618,989</u>	<u>274,302</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 794,372</u>	<u>\$ 618,989</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

ORGANIZATION:

Harvey Volunteer Fire Co., No. 2 (HVFC) was organized on July 8, 1948 to provide the citizens in the Sixth Fire Protection District with fire protection and related services. HVFC was under a ten (10) year contract that was adopted by the Jefferson Parish Council with Resolution Number 78791 on February 8, 1995. HVFC membership adopted the contract on February 14, 1995 which was signed March 15, 1995. The contract was effective for the period April 1, 1994 through March 31, 2004, with Jefferson Parish to provide fire protection to the Sixth Fire Protection District. Currently, HVFC is in the process of entering into a new contract with Jefferson Parish. The majority of HVFC's revenue is derived from this contract. HVFC responds to emergencies such as floods and hurricanes. HVFC maintains three (3) fire stations and has approximately twenty-eight (28) paid employees and thirty (30) volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the HVFC'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. 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 Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, information regarding financial position and activities is reported according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets and a statement of cash flows is required. As of December 31, 2003 and 2002, HVFC had only unrestricted net assets.

The statement of activities presents expenses functionally between program services for firefighting, general and administrative, and fund raising. 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 contract for the period April 1, 1994 through March 31, 2004, with Jefferson Parish, the Parish pays HVFC monthly installments, which represent the net proceeds of millage levied annually on the assessed valuation of property in the Sixth Fire Protection District.

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue: (Continued)

The Jefferson Parish Millage Assessment that is allocated to the Sixth Fire Protection District was 15 mills from January 1, 1991 through December 31, 2000. An increase of 10 mills in the millage assessment was approved by a public election held in October 2000, and was effective January 1, 2001. The amount received and used for operations was \$1,740,000 for 2003 and \$2,160,000 for 2002.

In addition, revenue is received from insurance rebates annually from the State of Louisiana through Jefferson Parish. The amount received is based on the number of homes within the fire district and totaled \$64,571 and \$58,300 for 2003 and 2002, respectively.

Cash and Cash Equivalents:

For purposes of the statement of cash flows, all highly-liquid investments with original maturity of three months or less are considered cash equivalents. Cash and cash equivalents on the statement of financial position consists of:

	<u>2003</u>	<u>2002</u>
Cash in checking accounts	\$ 206,402	\$ 252,012
Cash in savings accounts	<u>587,970</u>	<u>366,977</u>
	<u>\$ 794,372</u>	<u>\$ 618,989</u>

Supplemental Disclosures of Cash Flow Information:

	<u>2003</u>	<u>2002</u>
Cash paid during the year for:		
Interest	\$ --	\$ 4,107
Taxes	--	--

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, 2003 and 2002 was \$166,219 and \$154,395, respectively. The cost and accumulated depreciation are as follows:

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

	December 31, 2003		
	Property, Plant and Equipment - <u>Cost</u>	Accumulated <u>Depreciation</u>	Net Property, Plant and Equipment
Land and land improvements	\$ 73,787	\$ 8,379	\$ 65,408
Furniture and fixtures	102,361	46,700	55,661
Auto and trucks	204,550	153,130	51,420
Equipment	2,180,722	1,901,936	278,786
Building improvements	118,654	28,655	89,999
Construction in Progress	<u>1,050</u>	<u>--</u>	<u>1,050</u>
	<u>\$ 2,681,124</u>	<u>\$ 2,138,800</u>	<u>\$ 542,324</u>

	December 31, 2002		
	Property, Plant and Equipment - <u>Cost</u>	Accumulated <u>Depreciation</u>	Net Property, Plant and Equipment
Land and land improvements	\$ 73,787	\$ 7,394	\$ 66,393
Furniture and fixtures	85,096	38,767	46,329
Auto and trucks	204,550	130,266	74,284
Equipment	2,182,499	1,790,679	391,820
Building improvements	93,954	24,444	69,510
Construction in Progress	<u>1,050</u>	<u>--</u>	<u>1,050</u>
	<u>\$2,640,936</u>	<u>\$1,991,550</u>	<u>\$ 649,386</u>

Donated Services:

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

HARVEY VOLUNTEER FIRE CO., NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

2. CASH AND CASH EQUIVALENTS:

	Rate of Interest <u>2003</u>	Reconciled Balance December 31, <u>2003</u>	Rate of Interest <u>2002</u>	Reconciled Balance December 31, <u>2002</u>
Petty cash	--	\$ 250	--	\$ 106
Whitney National Bank:				
Operating	--	45,335	--	3,796
Payroll	--	111,616	--	(2,188)
Fund raising	--	9,764	--	7,364
General fund	--	28,826	--	239,491
Insurance disbursement	--	10,611	--	3,443
Cash – Savings:				
Whitney National Bank – Hospitalization	.15%	101,645	.50%	26,830
Whitney National Bank - Harvey #2	.15%	250,938	.50%	104,114
Whitney National Bank - Sixth District	.15%	<u>235,387</u>	.50%	<u>236,033</u>
		<u>\$ 794,372</u>		<u>\$ 618,989</u>

Concentrations of Credit Risk:

As shown above, for the years ended December 31, 2003 and 2002 cash balances were maintained 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, 2003 and 2002, the uninsured bank balances total \$575,962 and \$357,099, respectively.

3. CERTIFICATES OF DEPOSIT:

	Rate of Interest <u>2003</u>	<u>2003</u>	Rate of Interest <u>2002</u>	<u>2002</u>
Certificates of Deposit:				
Eureka Homestead Society				
Maturing 8/04/04 (6 months)	1.34%	\$ 14,233	1.47%	\$ 14,021
Maturing 8/17/04 (12 months)	1.46%	7,556	2.20%	7,410
Maturing 7/30/04 (6 months)	1.34%	27,937	1.47%	27,524
Maturing 6/07/04 (6 months)	1.34%	<u>19,651</u>	1.76%	<u>19,347</u>
Total current		69,377		68,302
Maturing 3/06/07 (60 months)	4.40%	<u>19,180</u>	4.40%	<u>18,342</u>
Total		<u>\$ 88,557</u>		<u>\$ 86,644</u>

HARVEY VOLUNTEER FIRE CO., NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003 AND 2002

4. SELF INSURANCE:

HVFC has a self-insurance hospitalization plan. The self-insurance program involves co-insurance with an independent insurance company. HVFC is responsible for 100% of the first \$20,000 of claims per individual up to an aggregate amount of \$176,728 in 2003 and \$221,151 in 2002. Any claim in excess of \$20,000 or the aggregate is covered by the insurance company. The estimated claims payable for incurred but not reported claims at December 31, 2003 and 2002 was \$18,017 and \$13,647, respectively. These amounts are reflected as current liabilities on the statements of financial position.

During 2003 and 2002, Harvey Volunteer Fire Company No. 2 did not pay claims in excess of its self-insurance liability.

5. INCOME TAXES:

HVFC 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 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.

7. DEFINED CONTRIBUTION PLAN:

HVFC has a defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan allows full-time employees to defer up to 12% of their compensation. Voluntary contributions for 2003 and 2002 were \$33,031 and \$33,788, respectively.

Effective October 2000, an employer matching benefit was approved, wherein HVFC will match voluntary employee contributions to the plan up to 5% of annual salaries. The amount of the employer matching contribution to the plan was \$26,652 in 2003 and \$25,991 in 2002.

8. USE OF PROPERTY OR EQUIPMENT:

During 2001, Jefferson Parish Sixth Fire Protection District purchased a new fire truck for the use of HVFC. The fire truck is owned and insured by Jefferson Parish and is not included in HVFC's assets. It is garaged at the LaPalco Boulevard fire station.



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1340 Poydras St., Suite 2000 · New Orleans, LA 70112
(504) 586-8866
FAX (504) 525-5888
cpa@dhhmcpa.com

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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 8, 2004

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 Louisiana nonprofit corporation) as of and for the year ended December 31, 2003, and have issued our report thereon dated March 8, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 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 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.

This report is intended for the information of the Board of Directors, management, and applicable parish, state or federal agencies 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, L.L.P.

HARVEY VOLUNTEER FIRE CO., NO. 2
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Harvey Volunteer Fire Co., No. 2 for the year ended December 31, 2003 was unqualified.
2. Internal Control
Material weaknesses: none noted
Reportable conditions: none noted
3. Compliance
Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING
STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA :

None