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REPORT

HARVEY VOLUNTEER FIRE CO., NO. 2

DECEMBER 31, 1999 AND 1998

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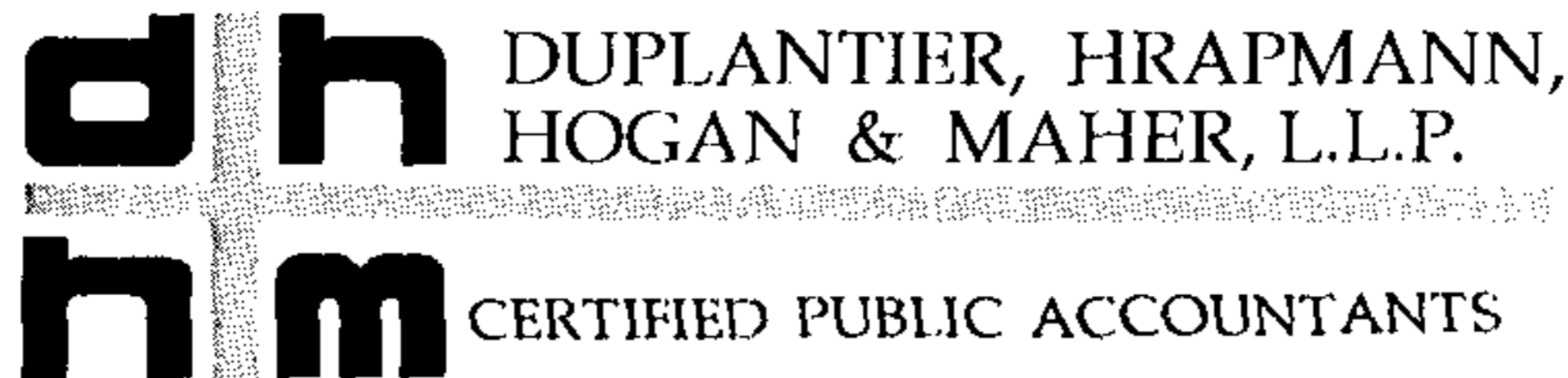
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HARVEY VOLUNTEER FIRE CO., NO. 2

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INDEPENDENT AUDITOR'S REPORT

March 1, 2000

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, 1999 and 1998 and the related statements of activities, functional expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Harvey Volunteer Fire Co., No. 2's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

The Harvey Volunteer Fire Co., No. 2 had not established the cost or estimated cost of the building owned by the corporation. Accordingly, the financial statements did not include in the property, plant and equipment the proper carrying value of the building and other appropriate footnote disclosure, which should have been included to conform with generally accepted accounting principles for the December 31, 1998 financial statements.

In our opinion, except for the omission of the information as described in the preceding paragraph, which results in an incomplete presentation for the 1998 financial statements, 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, 1999 and 1998, and its changes in net assets and its cash flows for the years then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2000 on our consideration of the Harvey Volunteer Fire Co., No. 2's internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts and grants. 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, Hapemann, Hogan & Moker LLP

HARVEY VOLUNTEER FIRE CO., NO. 2
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 1999 AND 1998

<u>ASSETS</u>	<u>1999</u>	<u>1998</u>
CURRENT ASSETS:		
Cash in banks (Notes 1 and 2)	\$ 143,992	\$ 90,956
Cash in savings accounts (Notes 1 and 2)	116,880	69,126
Certificates of deposit (Note 3)	61,508	59,211
Insurance receivable (Note 4)	--	3,257
Credit Union and life insurance receivable	354	592
Prepaid expenses	10,549	12,130
Total current assets	<u>333,283</u>	<u>235,272</u>
PROPERTY, PLANT AND EQUIPMENT: (Note 1)		
Land and land improvements	18,787	15,787
Furniture and fixtures	56,226	49,880
Autos and trucks	129,967	128,127
Equipment	1,941,406	1,628,007
Building improvements	80,422	49,999
Total	<u>2,226,808</u>	<u>1,871,800</u>
Less: Accumulated depreciation	1,717,563	1,633,372
Net property, plant and equipment	<u>509,245</u>	<u>238,428</u>
OTHER ASSETS:		
Certificate of deposit (Note 3)	15,465	14,542
Total other assets	<u>15,465</u>	<u>14,542</u>
TOTAL ASSETS	<u>\$ 857,993</u>	<u>\$ 488,242</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 12,077	\$ 25,695
Salaries payable	10,673	3,503
Due to employees	1,419	974
Note payable (Note 5)	25,267	--
Insurance claims payable (Note 4)	20,460	2,485
Total current liabilities	<u>69,896</u>	<u>32,657</u>
LONG-TERM LIABILITIES:		
Note payable - (net of current portion)	184,890	--
Total long-term liabilities	<u>184,890</u>	<u>--</u>
Total liabilities	<u>254,786</u>	<u>32,657</u>
NET ASSETS:		
Unrestricted	<u>603,207</u>	<u>455,585</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 857,993</u>	<u>\$ 488,242</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
 STATEMENTS OF ACTIVITIES
 FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
UNRESTRICTED NET ASSETS:		
REVENUE: (Note 1)		
Jefferson Parish millage	\$ 1,200,000	\$ 984,000
Jefferson Parish sales tax	27,000	27,000
Miscellaneous	4,531	5,128
Fund raising	233	570
Insurance rebate	50,810	48,923
Interest	4,926	6,153
Other Parish revenues	42,000	48,962
Rental	6,000	5,650
Total revenue	<u>1,335,500</u>	<u>1,126,386</u>
EXPENSES: (Pages 5 and 6)		
Firefighting	1,052,770	1,082,988
Support services:		
Administrative and general	<u>135,108</u>	<u>76,444</u>
Total expenses	<u>1,187,878</u>	<u>1,159,432</u>
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	147,622	(33,046)
Net assets, beginning of year	<u>455,585</u>	<u>488,631</u>
NET ASSETS, END OF YEAR	<u>\$ 603,207</u>	<u>\$ 455,585</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1999

	<u>Firefighting</u>	<u>Administrative and General</u>	<u>Total</u>
EXPENSES:			
Accounting and legal	\$ 7,579	\$ 1,033	\$ 8,612
Bank charges	373	51	424
Convention, seminars and classes	14,677	2,001	16,678
Copy machine	1,034	141	1,175
Depreciation	83,464	11,382	94,846
Dues and subscriptions	2,702	368	3,070
Meals and entertainment	13,926	1,899	15,825
Fire equipment	--	--	--
Fuel	10,564	--	10,564
Fundraising - (Christmas/Spring Campaign)	--	--	--
Gifts and flowers	582	79	661
Insurance	182,712	24,915	207,627
Medical supplies	844	--	844
Miscellaneous	29,293	3,995	33,288
Office supplies	9,650	1,316	10,966
Payroll processing	4,993	681	5,674
Payroll taxes	39,676	5,410	45,086
Postage	1,090	149	1,239
Promotional	7,113	970	8,083
Repairs and maintenance	21,940	2,992	24,932
Radio	8,543	--	8,543
Salaries	545,859	74,434	620,293
Sale of assets	2,276	310	2,586
Telephone and utilities	21,871	2,982	24,853
Uniforms	4,879	--	4,879
Vehicle repairs	37,130	--	37,130
TOTAL EXPENSES	\$ <u>1,052,770</u>	\$ <u>135,108</u>	\$ <u>1,187,878</u>

See accompanying notes.

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

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

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase(decrease) in unrestricted net assets	\$ 147,622	\$ (33,046)
Adjustments to reconcile increase (decrease) in unrestricted net assets to net cash provided by operating activities:		
Depreciation	94,846	82,389
Loss on sale of property and equipment	2,586	--
Interest income on certificates of deposit	(3,220)	(3,253)
(Increase) decrease in prepaid expenses	1,581	(8,412)
(Increase) decrease in insurance accounts receivable	3,257	32,389
(Increase) decrease in Credit Union and life insurance receivable	238	(592)
Increase (decrease) in salaries payable	7,170	(16,558)
Increase (decrease) in accounts payable	(13,618)	14,851
Increase (decrease) in insurance claims payable	17,975	(20,252)
Increase (decrease) in Credit Union and life insurance payable	--	(245)
Increase (decrease) in due to employees	445	367
Net cash provided by operating activities	<u>258,882</u>	<u>47,638</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of property and equipment	604	--
Purchase of property and equipment	<u>(158,696)</u>	<u>(108,759)</u>
Net cash used in investing activities	<u>(158,092)</u>	<u>(108,759)</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 100,790	 (61,121)
 Cash and cash equivalents at beginning of year	 <u>160,082</u>	 <u>221,203</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 260,872</u>	 <u>\$ 160,082</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE CO., NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

ORGANIZATION:

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting and Presentation:

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

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the fire department is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the fire department is required to present a statement of cash flows. As of December 31, 1999 and 1998, the fire department had only unrestricted net assets.

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

Revenue:

Under the current contract for the period April 1, 1994 through March 31, 2004, with Jefferson Parish, the Parish pays the fire department monthly installments which represent the net proceeds of millage levied annually on the assessed valuation of property in the Sixth Fire Protection District. In addition, the fire department receives quarterly subsidies per fire station.

Effective January 1, 1991, the Jefferson Parish Millage Assessment that is allocated to the Sixth Fire Protection District increased from 10 mills to 15 mills. The increase in the millage assessment was approved by a public election held on July 21, 1990. The amount received and used for operations was \$1,200,000 for 1999 and \$984,000 for 1998.

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue: (Continued)

In addition, the fire department receives revenue from the following:

- A) Jefferson Parish Sales Tax - amount received is based on the number of fire stations. The subsidy is received monthly at a rate of \$750 per fire station.
- B) Jefferson Parish Contributions - amount received is based on the number of fire stations. The subsidy is received quarterly at a rate of \$1,000 per fire station.
- C) Insurance Rebates - amount is received annually from the State of Louisiana through Jefferson Parish. The amount received is based on the number of homes within the fire district.

Cash and Cash Equivalents:

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

	<u>1999</u>	<u>1998</u>
Cash in banks	\$ 143,992	\$ 90,956
Cash in savings accounts	<u>116,880</u>	<u>69,126</u>
	<u>\$ 260,872</u>	<u>\$160,082</u>

Supplemental Disclosures of Cash Flow Information:

	<u>1999</u>	<u>1998</u>
Cash paid during the year for:		
Interest	\$ --	\$ --
Taxes	--	--
Non-cash investing activities:		
Interest income on certificates of deposit rolled over	3,220	3,253
Non-cash investing and financing activities:		
Purchase of fire truck through issuance of notes payable	210,157	

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

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, 1999 and 1998 was \$94,846 and \$82,389, respectively. The cost and accumulated depreciation are as follows:

	December 31, 1999		
	Property, Plant and Equipment - <u>Cost</u>	Accumulated <u>Depreciation</u>	Net Property, Plant and <u>Equipment</u>
Land and land improvements	\$ 18,787	\$ 4,436	\$ 14,351
Furniture and fixtures	56,226	41,407	14,819
Auto and trucks	129,967	90,846	39,121
Equipment	1,941,406	1,566,864	374,542
Building improvements	<u>80,422</u>	<u>14,010</u>	<u>66,412</u>
	<u>\$ 2,226,808</u>	<u>\$ 1,717,563</u>	<u>\$ 509,245</u>
	December 31, 1998		
	Property, Plant and Equipment - <u>Cost</u>	Accumulated <u>Depreciation</u>	Net Property, Plant and <u>Equipment</u>
Land and land improvements	\$ 15,787	\$ 3,450	\$ 12,337
Furniture and fixtures	49,880	37,197	12,683
Auto and trucks	128,127	79,958	48,169
Equipment	1,628,007	1,501,298	126,709
Building improvements	<u>49,999</u>	<u>11,469</u>	<u>38,530</u>
	<u>\$1,871,800</u>	<u>\$1,633,372</u>	<u>\$238,428</u>

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services:

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

Reclassification:

Certain amounts for 1998 have been reclassified to conform with the 1999 presentation.

2. CASH:

Deposits are carried at cost.

	Rate of Interest <u>1999</u>	Reconciled Balance December 31, <u>1999</u>	Rate of Interest <u>1998</u>	Reconciled Balance December 31, <u>1998</u>
Whitney National Bank				
Operating	--	\$ 9,624	--	\$18,486
Payroll	--	93,568	--	65,110
Fund raising	--	841	--	708
General fund	--	43,732	--	6,557
Insurance disbursement	--	<u>(3,773)</u>	--	<u>95</u>
	--	<u>\$143,992</u>		<u>\$90,956</u>
Cash - Savings				
Whitney National Bank - Hospitalization	1.74%	\$ 27,638	1.74%	\$ 624
Whitney National Bank - Harvey #2	1.74%	77,459	1.89%	18,674
Whitney National Bank - Sixth District	1.74%	<u>11,783</u>	2.03%	<u>49,828</u>
		<u>\$116,880</u>		<u>\$69,126</u>

Concentrations of Credit Risk:

As shown above, for the years ended December 31, 1999 and 1998, the fire department maintained its cash balances in one financial institution located in the New Orleans area. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At various times throughout the year balances at the financial institution were above the \$100,000 amount insured by the FDIC. At December 31, 1999 and 1998, the fire department's uninsured bank balances total \$177,113 and \$67,931, respectively.

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

3. CERTIFICATES OF DEPOSIT:

	Rate of Interest <u>1999</u>	<u>1999</u>	Rate of Interest <u>1998</u>	<u>1998</u>
Certificates of Deposit:				
Eureka Homestead Society				
Maturing 2/09/00 (6 months)	3.69%	\$ 12,677	3.87%	\$12,209
Maturing 8/17/00 (12 months)	4.34%	6,447	4.11%	6,179
Maturing 2/04/00 (6 months)	3.69%	24,890	3.87%	23,972
Maturing 6/12/00 (6 months)	3.69%	<u>17,494</u>	3.69%	<u>16,851</u>
Total current		61,508		59,211
Maturing 3/06/02 (60 months)	6.06%	<u>15,465</u>	6.06%	<u>14,542</u>
Total		<u>\$ 76,973</u>		<u>\$73,753</u>

4. SELF INSURANCE:

Harvey Volunteer Fire Company No. 2 has a self-insurance hospitalization plan. The self-insurance program involves co-insurance with an independent insurance company. The fire department is responsible for 100% of the first \$10,000 of claims per individual up to an aggregate amount of \$118,509. Any claim in excess of \$10,000 or the aggregate is covered by the insurance company. The estimated claims payable for incurred but not reported claims at December 31, 1999 and 1998 was \$20,460 and \$2,485, respectively. These amounts are reflected as current liabilities on the statements of financial position.

During 1999, Harvey Volunteer Fire Company No. 2 paid claims that exceeded the company's self insurance liability. These claims have been reimbursed to Harvey Volunteer Fire Company No. 2 from the insurance company. There is no receivable amount at December 31, 1999. The receivable amount at December 31, 1998 is \$3,257 and is reflected as a receivable on the statement of financial position.

5. NOTE PAYABLE:

On October 13, 1999, the fire department incurred long-term debt in conjunction with the purchase of a new fire truck. The note is payable to Regions Bank in the amount of \$210,157. The note, which bears an interest rate of 5.7%, calls for monthly principal and interest payments of \$37,246 beginning November 12, 2000, and the remaining payments due on the same day thereafter until paid in full on November 12, 2006.

The Company's debt consists of the following:

	<u>1999</u>
Total note payable	\$210,157
Less: current portion	<u>25,267</u>
Long-term portion, net of current portion	<u>\$184,890</u>

HARVEY VOLUNTEER FIRE CO., NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 1999 AND 1998

5. NOTE PAYABLE: (Continued)

The following is schedule of the maturities of the note payable along with related interest.

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
12-31-2000	\$ 25,267	\$ 11,979	\$ 37,246
12-31-2001	26,707	10,539	37,246
12-31-2002	28,230	9,016	37,246
12-31-2003	29,839	7,407	37,246
12-31-2004	31,540	5,706	37,246
12-31-2005	33,337	3,909	37,246
12-31-2006	<u>35,237</u>	<u>2,009</u>	<u>37,246</u>
TOTAL	<u>\$210,157</u>	<u>\$ 50,565</u>	<u>\$260,722</u>

6. INCOME TAXES:

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

7. USE OF ESTIMATES:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. DEFINED CONTRIBUTION PLAN:

The Fire Department 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 1999 and 1998 were \$21,295 and \$17,218, respectively.

HARVEY VOLUNTEER FIRE CO., NO. 2
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
FOR THE YEAR ENDED DECEMBER 31, 1999

March 1, 2000

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, 1999, and have issued our report thereon dated March 1, 2000.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Harvey Volunteer Fire Co., No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harvey Volunteer Fire Co., No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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, Hraprann, Hogan & Mober LLP