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**INDEPENDENCE VOLUNTEER FIRE DEPARTMENT, INC.**

**FINANCIAL STATEMENTS**

**RURAL FIRE DISTRICT NO. 2 CURRENT RESTRICTED FUND**

**AS OF AND FOR THE TWO YEARS ENDED DECEMBER 31, 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.

Release Date

7/2/03

Independence Volunteer Fire Department, Inc.

Financial Statements  
Rural Fire District No. 2 Current Restricted Fund

As of and for the Two Years Ended December 31, 2002

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# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA  
Dennis E. James, CPA

Member  
American Institute of CPA's  
Society of Louisiana CPA's

June 3, 2003

## Independent Auditor's Report

To the Officers of  
Independence Volunteer Fire Department, Inc.  
Independence, Louisiana

We have audited the accompanying statement of financial position of the Rural Fire District No. 2 Current Restricted Fund of the Independence Volunteer Fire Department, Inc. (a non-profit organization) as of December 31, 2002 and the related statements of activities and cash flows for the two years then ended. These financial statements are the responsibility of the Fire Department'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. 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.

As explained in Note 1, the financial statements being presented are only for the fund referred to above and do not include the assets, liabilities, and net assets and the revenue, expenses, and capital additions and cash flows of the Independence Volunteer Fire Department, Inc. that are recorded in its Current Unrestricted Operating Fund. Accordingly, the accompanying financial statements are not intended to present the financial position of the Independence Volunteer Fire Department, Inc. as of December 31, 2002, or its changes in its net assets or its cash flows for the two years then ended in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rural Fire District No. 2 Current Restricted Fund of the Independence Volunteer Fire Department, Inc. as of December 31, 2002 and the changes in its net assets and its cash flows for the two years then ended in conformity with accounting principles generally accepted in the United States of America.

Independence Volunteer Fire Department, Inc.  
Independence, Louisiana

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2003 on our consideration of the Independence Volunteer Fire Department, Inc.'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 *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs  
(A Professional Corporation)

## **Financial Statements**

Independence Volunteer Fire Department, Inc.

Statement of Financial Position –  
Rural Fire District No. 2 Current Restricted Fund

December 31, 2002

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 13,566
Receivables (Net of allowances for uncollectibles):	
Fire Protection District No. 2 Contract Fees	<u>22,430</u>

Total Current Assets	\$ <u>35,996</u>
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Total Assets	\$ <u><u>35,996</u></u>
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**Liabilities and Net Assets**

Current Liabilities:

Accounts Payable	\$ 1,833
Due to Tangipahoa Parish Council	<u>19,068</u>

Total Liabilities	\$ 20,901
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Net Assets:

Permanently Restricted	\$ <u>15,095</u>
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Total Net Assets (Deficit)	\$ <u>15,095</u>
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Total Liabilities and Net Assets	\$ <u><u>35,996</u></u>
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The accompanying notes are an integral part of this statement.

Independence Volunteer Fire Department, Inc.

Statement of Activities –  
Rural Fire District No. 2 Current Restricted Fund

For the Two Years Ended December 31, 2002

	Permanently Restricted	
	2002	2001
Support and Revenues:		
Rural Fire District No. 2 Contract Fees:		
Ad Valorem Taxes	\$ 124,486	\$ 106,146
State Revenue Sharing	20,215	26,047
Fire Insurance Premium Rebate	8,296	11,276
Grant Revenue	93,000	-
Miscellaneous	3,804	1,698
Total Support and Revenues	\$ 249,801	\$ 145,167
Expenses:		
Program Services - Fire Protection:		
Fuel	\$ 4,428	\$ 2,177
Salaries	35,177	29,909
Debt Service	44,650	43,874
Repairs and Maintenance	21,378	13,007
Insurance	4,467	3,699
Telephone	6,834	5,890
Fire Station Supplies	10,162	6,390
Office Supplies	51	-
Other	5,104	2,994
Total Program Services	\$ 132,251	\$ 107,940
Supporting Services:		
Accounting	\$ 3,150	\$ 6,392
Total Supporting Services	\$ 3,150	\$ 6,392
Total Expenses	\$ 135,401	\$ 114,332
Change in Net Assets	\$ 114,400	\$ 30,835
Net Assets - Beginning of the Year - As Originally Stated	\$ 21,990	\$ (13,067)
Restatement	-	9,345
Net Assets - Beginning of the Year - As Restated	\$ 21,990	\$ (3,722)
Equipment Purchased	(121,295)	(5,123)
Net Assets - End of the Year	\$ 15,095	\$ 21,990

The accompanying notes are an integral part of this statement.

Independence Volunteer Fire Department, Inc.

Statement of Cash Flows –  
Rural Fire District No. 2 Current Restricted Fund

For the Two Years Ended December 31, 2002

	<u>2002</u>	<u>2001</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 114,400	\$ 30,835
Adjustments to Reconcile Change in Net Assets to		
Net Cash Used by Operating Activities:		
(Increase) Decrease in Accounts Receivable	(4,463)	(1,607)
Increase (Decrease) in Accounts Payable	(54)	(1,618)
Increase (Decrease) in Due to Tangipahoa Parish Council	<u>-</u>	<u>(1,116)</u>
Net Cash Provided by Operating Activities	\$ 109,883	\$ 26,494
Cash Flows from Investing Activities:		
Equipment Purchased	<u>\$ (121,295)</u>	<u>\$ (5,123)</u>
Net Cash Flows from Investing Activities	<u>\$ (121,295)</u>	<u>\$ (5,123)</u>
Net Increase (Decrease) in Cash	\$ (11,412)	\$ 21,371
Cash - Beginning of the Year	<u>\$ 24,978</u>	<u>\$ 3,607</u>
Cash - End of the Year	<u><u>\$ 13,566</u></u>	<u><u>\$ 24,978</u></u>

The accompanying notes are an integral part of this statement.

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statements

As of and for the Two Years Ended December 31, 2002

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Independence Volunteer Fire Department, Inc.

Notes to the Financial Statements

As of and for the Two Years Ended December 31, 2002

**Introduction**

The Independence Volunteer Fire Department, Inc. (hereinafter referred to as the "Fire Department") is a Louisiana non-profit organization. Its purpose is to operate exclusively as a volunteer fire-fighting organization to provide fire protection and emergency response services in the Town of Independence and the surrounding rural areas. The Fire Department is governed by officers consisting of a chief, a first assistant chief, a second assistant chief, and three captains, each of which is elected by the membership. At the present time, the Fire Department consists of 46 active volunteer firemen. The Fire Department maintains an office in Fire Station Number 1 of the Town of Independence and maintains equipment in two fire stations in the town.

**1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The financial statements have been prepared on an accrual basis and in conformity with standards promulgated by the American Institute of Certified Public Accountants in its audit guide, Audits of Certain Nonprofit Organizations, and its Statement of Position 78-10.

**B. Fund Accounting**

The accounts of the Fire Department are maintained in accordance with the principles of fund accounting whereby resources are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund. Externally restricted funds may only be utilized in accordance with the purposes established by the source of the funds and are in contrast with unrestricted fund over which the Board retains full control to use in achieving any of its purposes.

The accompanying financial statements present only the financial resources accounted for in the following fund:

The Rural Fire District No. 2 Current Restricted Fund represents revenue and expenses related to the operation of fire protection and emergency response services in the unincorporated rural areas surrounding the Town of Independence under the terms of an agreement between the Fire Department and the Rural Fire Protection District No. 2 of Tangipahoa Parish.

The accompanying financial statements do not include the assets, liabilities, and fund balance and the support revenue, expenses, and capital additions and cash flows reported in fund other than the Rural Fire District No. 2 Current Restricted Fund. Accordingly, the financial statements being presented are not intended to

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statements (Continued)

As of and for the Two Years Ended December 31, 2002

present the financial position of the Independence Volunteer Fire Department, Inc. as of December 31, 2002, or its results of operations or cash flows for the two years then ended in conformity with generally accepted accounting principles.

The Rural Fire District No. 2 Current Fund is considered restricted because under the terms of the contract with the Rural Fire Protection District No. 2 of Tangipahoa Parish, these funds "shall be expended solely for the purposes of operating, maintaining, and / or purchasing of equipment and supplies...and salaries if approved by Fire District No. 2."

C. Support and Revenue

Support consists primarily of contract payments received from the Rural Fire Protection District No. 2 of Tangipahoa Parish in the form of ad valorem taxes, state revenue sharing funds, and fire insurance rebate funds. The Fire Department receives a percentage of the total funds available to the Rural Fire Protection District No. 2 based on a formula contained in the original contract agreed to by all participating fire departments in Tangipahoa Parish. The ad valorem tax allocation is established in January of each year and is disbursed by the Rural Fire Protection District No. 2 on a quarterly basis. State revenue sharing and fire insurance rebate funds are disbursed to participating fire departments by the Rural Fire Protection District No. 2 as the funds become available. As a result, ad valorem taxes and interest income is recognized as income in the period earned. State revenue sharing funds, fire insurance rebate funds, and all other revenue are recognized as income when received.

D. Cash

Cash includes demand deposits.

E. Income Taxes

The Fire Department is non-profit and is exempt from income taxes under Section 501(C)(4) of the Internal Revenue Code. Therefore, no provision is made for income taxes.

F. Fair Values of Financial Instruments

The Fire Department's financial instruments, none of which are held for trading purposes, include cash. The following methods and assumptions used by the Fire Department in estimating its fair value disclosures for financial instruments are:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statements (Continued)

As of and for the Two Years Ended December 31, 2002

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

I. Financial Statement Presentation

The Fire Department has adopted Statement of Financial Accounting Standards (SFAS) 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 permitted by the statement, the Fire Department does not use fund accounting.

J. Contributions

The Fire Department has also adopted SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

2. **Cash**

Cash at December 31, 2002 consisted of the following:

Demand Deposits	\$ <u>13,566</u>
Total	\$ <u><u>13,566</u></u>

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statements (Continued)

As of and for the Two Years Ended December 31, 2002

**3. Receivables**

Receivables include amounts due from the Rural Fire Protection District No. 2 at December 31, 2002 and are summarized as follows:

Due from Rural Fire Protection District No. 2:

Ad Valorem Taxes	\$ 22,430
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Total	<u>\$ 22,430</u>
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No allowance for uncollectible accounts is required at December 31, 2002.

**4. Payables**

Payables at December 31, 2002 consisted of the following:

Accrued Expenses	\$ 1,833
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Total	<u>\$ 1,833</u>
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**5. Contract with the Rural Fire Protection District No. 2**

The Tangipahoa Parish Council (the parish governing authority) created the Rural Fire Protection District No. 2 of Tangipahoa Parish (District) funded by an ad valorem tax to provide fire protection and emergency response services in the rural areas of the parish. The boundaries of the District include the unincorporated areas of Tangipahoa Parish.

The Fire Department adopted a resolution and entered into an agreement with the Rural Fire Protection District No. 2 to provide fire protection and emergency response services in the unincorporated areas surrounding the Town of Independence. Funding is provided by an ad valorem tax and related state revenue sharing. Under the terms of the contract with the District, these funds "shall be expended solely for the purposes of operating, maintaining, and / or purchasing of equipment or supplies and salaries if approved by Fire District No. 2." Equipment purchased remains the property of the Fire District and is not recorded in the accompanying financial statements.

Independence Volunteer Fire Department, Inc.

Notes to the Financial Statements (Continued)

As of and for the Two Years Ended December 31, 2002

**6. Donated Services and Facilities**

All of the Fire Department's program and supporting services are provided by volunteers. In addition, the Fire Department utilizes an office, two fire stations, equipment, paid firemen, and various administrative expenses at no cost to the Fire Department. No amounts have been included in the financial statements for donated services or facilities since no objective basis is available to measure the value of such services and facilities.

**7. Fair Values of Financial Instruments**

The estimated fair values of the Organization's financial instruments, none of which are held for trading purposes, are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets: Cash	\$ 13,566	\$ 13,566

**8. Debt Serviced**

The Fire Department services debt for various fire trucks in which it operates. The title and principal liability pertaining to the fire trucks remain with the Rural Fire District No. 2 of Tangipahoa Parish. Therefore, no asset or corresponding liability is recorded in the financial statements of the Independence Volunteer Fire Department, Inc. Current Restricted Fund.

**9. Prior Period Adjustment**

An adjustment necessary to record forgiveness of part of the balance due to the Tangipahoa Parish Council as of December 31, 2000 is reported as a prior period adjustment in the Statement of Activities is reported below.

Net Assets (deficit) - December 31, 2000 - As Originally Stated	\$ (13,067)
Prior Period Adjustment	<u>9,345</u>
Net Assets (deficit) - December 31, 2000 - Restated	<u>\$ (3,722)</u>

**Other Independent Auditor's Reports and  
Findings and Recommendations**

**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***

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
HAMMOND, LA • AMITE, LA

John N. Durnin, CPA  
Dennis E. James, CPA

Member  
American Institute of CPA's  
Society of Louisiana CPA's

June 3, 2003

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

To the Officers of  
Independence Volunteer Fire Department, Inc.  
Independence, Louisiana

We have audited the financial statements of the Independence Volunteer Fire Department, Inc. (a non-profit organization) for the two years ended December 31, 2002 and have issued our report thereon dated June 3, 2003. 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 the Independence Volunteer Fire Department, Inc.'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 three instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings and recommendations as items 02-01, 02-02 and 02-03.

## Internal Control over Financial Reporting

In planning and performing our audit, we considered the Independence 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 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 Independence Volunteer Fire Department, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and recommendations as item 02-04.

Independence Volunteer Fire Department, Inc.  
Independence, Louisiana

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 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 item 02-04 to be a material weakness.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs". The signature is written in dark ink and is positioned above the printed name of the firm.

Durnin & James, CPAs  
(A Professional Corporation)

## **Findings and Recommendations**

Independence Volunteer Fire Department, Inc.

Current Year Audit Findings

For the Year Ended December 31, 2002

Findings and Recommendations

Compliance Findings

02-01 – Personal use of parish vehicle

Previous to beginning our audit, we received notice of an allegation of personal use of a public vehicle.

FINDING:

The Fire Chief has been transporting his grandchildren to and from school in the parish owned vehicle.

RECOMMENDATION:

We recommend that the Fire Chief cease using public vehicles for personal use.

MANAGEMENT'S RESPONSE:

In management's corrective action plan dated June 10, 2003, the Fire Chief indicated that he would cease from using public vehicles for personal use immediately.

02-02 – Employee holding parish equipment at his residence.

Previous to beginning our audit, we received notice of an allegation that the Fire Chief was keeping certain parish equipment at his residence.

FINDING:

The Fire Chief has been keeping a sprayer and tools at his residence which belong to the parish.

RECOMMENDATION:

We recommend the Fire Chief not take parish equipment home, but store it at a public place for safekeeping.

MANAGEMENT'S RESPONSE:

In management's corrective action plan dated June 10, 2003, the Fire Chief indicated that he will cease taking parish property to his home, and will find a public place to store it.

02-03 – Previous to our audit, we received notice of an allegation of bonuses paid to certain employees.

FINDING:

Several employees have been receiving \$100/\$200 per month each for 2001 and 2002 which compensation has not been approved for payment by the Fire Board.

RECOMMENDATION:

We recommend that unapproved compensation be discontinued immediately subject to approval by the Fire Board. All future compensation must be approved in advance by the Fire Board.

Independence Volunteer Fire Department, Inc.

Current Year Audit Findings, Continued

For the Year Ended December 31, 2002

Findings and Recommendations

MANAGEMENT'S RESPONSE:

In management's corrective action plan dated June 10, 2003, the Fire Chief indicated that he would cease payment of compensation which did not have prior approval of the Fire Board, and that he would seek retroactive approval of the compensation paid in 2001 and 2002.

Internal Control Findings

02-04 – Inadequate cash disbursements procedures.

During our test of cash transactions, we noted that the Fire Chief appears to be the only person involved in approval and payment of cash disbursements.

FINDING:

There is no division of responsibility for cash disbursements and the related approvals and check signatures. The Fire Chief collects all invoices or other support and is the only person who signs checks. Invoices or other support do not appear to be properly approved for payment, and are not appropriately cancelled at payment.

RECOMMENDATION:

We recommend that all checks be required to be signed by the Fire Chief and the Treasurer. Also, all invoices or other support for cash disbursements should be approved for payment by a responsible person, and should be appropriately cancelled upon payment.

MANAGEMENT'S RESPONSE:

In management's corrective action plan dated June 10, 2003, the Fire Chief indicated that cash disbursements procedures would be modified as follows: All checks will be required to be signed by both the Fire Chief and the Treasurer; Further, all invoices or other support for cash disbursements will be approved for payment indicated by the signature or initials of an appropriately authorized person., and all invoices or other support will be cancelled upon payment.

## **Corrective Action Plan for Current Year Audit Findings**

Independence Volunteer Fire Department, Inc.

Corrective Action Plan for Current Year Audit Findings

For the Year Ended December 31, 2002

<u>Description of Finding</u>	<u>Corrective Action Plan</u>	<u>Name of Contact Person</u>	<u>Anticipated Completion Date</u>
Personal use of Vehicle	Cease personal use	John J. Polito, Sr.	June 30, 2003
Public equipment kept at residence	Store public equipment at an appropriate public place	John J. Polito, Sr.	June 30, 2003
Certain salaries not approved by Fire Board	Obtain retroactive approval	John J. Polito, Sr.	June 30, 2003
Cash disbursements procedures inadequate	Modify cash procedures: 1)Require 2 signatures 2)Require approval of all invoices or other support, and require cancellation of all invoices upon payment	John J. Polito, Sr.	June 30, 2003

***Note: This schedule has been prepared by the management of the Independence Volunteer Fire Department, Inc.***

## **Summary Schedule of Prior Audit Findings**

Independence Volunteer Fire Department, Inc.

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2002

Ref. #	Fiscal Year Findings Initially Occurred	Description of Findings	Corrective Action		Plan Corrective Action - Partial Corrective Action Taken
			Taken		

Compliance

00-1	December 31, 2000	Federal income tax returns not filed	Yes	Federal income tax returns properly filed
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*Note: This schedule has been prepared by the management of the Independence Volunteer Fire Department, Inc.*