

# MANCHAC VOLUNTEER FIRE DEPARTMENT

## ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2009

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 8/18/10

**PHIL HEBERT**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**A PROFESSIONAL ACCOUNTING CORPORATION**

**Manchac Volunteer Fire Department  
Manchac, Louisiana  
Annual Financial Statements  
As of and for the Year Ended December 31, 2009**

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MEMBER  
American Institute of  
Certified Public  
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MEMBER  
Society of Louisiana  
Certified Public  
Accountants

### **Accountant's Compilation Report**

To the Members  
Manchac Volunteer Fire Department  
Manchac, Louisiana

I have compiled the accompanying statement of financial position of Manchac Volunteer Fire Department (a nonprofit organization) as of December 31, 2009 and the related statements of activities and cash flows for the year then ended and the accompanying supplementary information schedules on pages 13 through 18 which is presented only for supplementary analysis purposes, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

I am not independent with respect to Manchac Volunteer Fire Department.

Sincerely,

*Phil Hebert*

Phil Hebert, CPA  
A Professional Accounting Corporation

April 10, 2010

**Manchac Volunteer Fire Department  
Manchac, Louisiana  
Statement of Financial Position  
December 31, 2009**

**Assets**

Current Assets:

Unrestricted Assets

Cash and Cash Equivalents	\$ 2,153
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Restricted Assets

Cash and Cash Equivalents	145,820
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Due From Fire Protection District No. 2	91,197
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Prepaid Insurance	10,057
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Total Current Assets	<u>\$ 249,227</u>
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**Liabilities and Net Assets**

Current Liabilities:

Accounts Payable	\$ 1,168
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Insurance Payable	<u>2,230</u>
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Total Current Liabilities / Total Liabilities	<u>3,398</u>
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Net Assets:

Unrestricted	2,153
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Temporarily Restricted	<u>243,676</u>
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Total Net Assets	<u>245,829</u>
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Total Liabilities and Net Assets	<u>\$ 249,227</u>
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The accompanying notes are an integral part of this statement.

**Manchac Volunteer Fire Department  
Manchac, Louisiana  
Statement of Activities  
For the Year Ended December 31, 2009**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenues and Public Support</b>			
Fire Protection District No. 2 Contract Fees:			
Ad Valorem Taxes	\$ -	\$ 161,726	\$ 161,726
State Revenue Sharing	-	20,175	20,175
Fire Insurance Rebate	-	8,038	8,038
Sale of Fixed Asset	-	1,000	1,000
Other Income	-	1,569	1,569
Interest Income	-	419	419
Net Assets Released From Restrictions			
Restriction Satisfied by Payments	91,018	(91,018)	-
Total Revenues and Public Support	<u>91,018</u>	<u>101,909</u>	<u>192,927</u>
<b>Expenses</b>			
Accounting	4,280	-	4,280
Bank Charges	310	-	310
Debt, Principal	25,000	-	25,000
Debt, Interest	6,387	-	6,387
Donations	200	-	200
Dues & Subscriptions	50	-	50
Fuel & Lubricants	803	-	803
Insurance	13,925	-	13,925
Medical	1,595	-	1,595
Message Service	106	-	106
Office Supplies	1,171	-	1,171
Postage & Delivery	121	-	121
Repairs & Maintenance	23,688	-	23,688
Fire Station Supplies	4,603	-	4,603
Telephone	1,930	-	1,930
Utilities	7,059	-	7,059
Total Expenses	<u>91,228</u>	<u>-</u>	<u>91,228</u>
<b>Changes in Net Assets</b>	(210)	101,909	101,699
<b>Net Assets, Beginning</b>	2,363	141,767	144,130
<b>Net Assets, Ending</b>	<u>\$ 2,153</u>	<u>\$ 243,676</u>	<u>\$ 245,829</u>

The accompanying notes are an integral part of this statement.

**Manchac Volunteer Fire Department  
Manchac, Louisiana  
Statement of Cash Flows  
For the Year Ended December 31, 2009**

<b>Cash Flow From Operating Activities</b>	
Changes in Net Assets	\$ 101,699
Adjustments to Reconcile Changes in Net Assets to Net Cash Provided by Operating Activities	
Change in Due From Fire Protection District No. 2	(26,348)
Change in Prepaid Insurance	257
Change in Accounts Payable	505
Change in Insurance Payable	79
Net Cash Provided by Operating Activities	<u>76,192</u>
<b>Net Increase in Cash</b>	76,192
<b>Cash, Beginning of Year</b>	<u>71,781</u>
<b>Cash, End of Year</b>	<u><u>\$ 147,973</u></u>
 <b>Reconciliation of Cash and Cash Equivalents to the Statement of Financial Position:</b>	
Cash and Cash Equivalents, Unrestricted	\$ 2,153
Cash and Cash Equivalents, Restricted	145,820
Total Cash and Cash Equivalents	<u><u>\$ 147,973</u></u>

The accompanying notes are an integral part of this statement.

**Manchac Volunteer Fire Department  
Manchac, Louisiana  
Notes to the Financial Statements  
As of and for the Year Ended December 31, 2009**

**Introduction**

The Manchac Volunteer Fire Department (hereinafter referred to as the “Fire Department”) is a nonprofit organization. Its purpose is to operate exclusively as a volunteer fire fighting organization to provide fire protection and emergency response services in Manchac, Louisiana.

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

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.

**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 funds over which the Board retains full control to use in achieving any of its purposes.

**Restrictions on Net Assets**

Revenues received from Tangipahoa Parish Rural Fire Protection District No. 2 are considered to be temporarily 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 the Fire District No. 2.”

**Support and Revenue**

Support consists primarily of contract payments received from Rural Fire Protection District No. 2 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 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 disbursed by Rural Fire Protection District No. 2 on a quarterly basis. Allocations for the fourth quarter of 2009 are accrued at December 31, 2009. State revenue sharing and fire insurance rebate funds are disbursed to participating fire departments by Rural Fire Protection District No. 2 as the funds become available. As a result, ad valorem taxes and interest income are 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.

**Manchac Volunteer Fire Department**  
**Manchac, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**Cash and Cash Equivalents**

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Department may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**Statement of Cash Flows**

For the purpose of the statement of cash flows, all investments, if any with a maturity of ninety (90) days or less from the date of purchase are considered to be cash equivalents.

**Contributions**

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence or nature of any donor restrictions.

All donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**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 at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Donated Materials and Facilities**

The Department is allowed use of buildings and fire equipment from Tangipahoa Parish Rural Fire Protection District No.2. All of the Fire Department's program and supporting services are provided by volunteers. 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.

**Income Tax Status**

The Department is classified as a Section 501 ( c ) ( 4 ) organization under the Federal Internal Revenue Code. As a result, it has been determined to be exempt from federal and state income taxes.

**Manchac Volunteer Fire Department**  
**Manchac, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**Fair Values of Financial Instruments**

The following methods and assumptions were used by the Fire Department in estimating its fair value disclosures for financial instruments:

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

**2. Cash and Cash Equivalents**

At December 31, 2009, the Department had cash and cash equivalents (book balances) totaling \$147,973 as follows:

Demand Deposits	<u>\$ 147,973</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2009, the Department had \$148,523 in collected bank balances secured by \$250,000 of federal deposit insurance.

**3. Receivables**

Receivables include amounts due from Fire Protection District No. 2 at December 31, 2009, and are summarized as follows:

Due From Fire Protection District No. 2	\$ 91,197
Total	<u>\$ 91,197</u>

No allowance for uncollectible accounts is required at December 31, 2009.

**4. Payables**

Payables at December 31, 2009 were as follows:

Accounts Payable	\$ 1,168
Insurance Payable	2,230
Total	<u>\$ 3,398</u>

**Manchac Volunteer Fire Department**  
**Manchac, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**5. Net Assets**

Net assets at December 31, 2009 were as follows:

Unrestricted	\$ 2,153
Temporarily	<u>243,676</u>
Total	<u><u>\$ 245,829</u></u>

**6. Concentrations of Credit Risk**

For the fiscal year ended December 31, 2009, \$190,939, or 99%, of the Department's gross revenues were derived from funding provided by Tangipahoa Parish Rural Fire Protection District No. 2.

**7. Contract with Rural Fire Protection District No.2**

The Tangipahoa Parish Council (the parish governing authority) created Rural Fire Protection District No. 2 of Tangipahoa Parish. The Fire Protection District is funded by an ad valorem tax, state revenue sharing and 2% fire insurance rebate to provide fire protection and emergency response services to the rural areas of Tangipahoa Parish.

The Manchac Volunteer Fire Department entered into an agreement with Rural Fire Protection District No. 2 to provide fire protection and emergency response services in Manchac. Funding is provided by an appropriation from Rural Fire Protection District No. 2. Under the terms of the contract with the Fire Protection 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 Rural Fire Protection District No. 2." Equipment purchased with monies received from Rural Fire Protection District No. 2 remains the property of the Rural Fire Protection District No. 2 and is not recorded in the accompanying financial statements.

**Manchac Volunteer Fire Department**  
**Manchac, Louisiana**  
**Notes to the Financial Statements**  
**As of and for the Year Ended December 31, 2009**

**8. Certificate of Indebtedness, Series 2007 B**

On November 20, 2007, Tangipahoa Parish Rural Fire Protection District No. 2 issued \$180,000 of Certificate of Indebtedness Bonds, Series 2007 B at an interest rate of 3.93% to be used by Manchac to purchase a new fire engine. The fire engine remains the property of Tangipahoa Parish Rural Fire Protection District No. 2. Manchac is expected to pay the annual debt service on these certificates of indebtedness bonds from the annual appropriation to be received from the Rural Fire Protection District No. 2. The final payment is due on March 1, 2014.

At December 31, 2009, the balance owed by Rural Fire Protection District No. 2 on the Certificate of Indebtedness, Series 2007B bonds were as follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Payments</u>	<u>Balance</u> <u>12/31/09</u>
Certificate of Indebtedness, Series 2007 B	<u>\$ 175,000</u>	<u>\$ 25,000</u>	<u>\$ 150,000</u>

**9. Subsequent Events**

Management has evaluated subsequent events through the date the financial statements were available to be issued, April 10, 2010, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**10. Compliance with Laws**

The Fire Department did not file 1099 Forms for 2009.

## Supplemental Information

**Manchac Volunteer Fire Department, Inc.**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2009**

**Section I Internal Control and Compliance Material to The Financial Statements**

**2008-1 Checks written to cash**

As a result of my examination, I noted several checks written to cash. In many instances these payments were to individuals who were providing a service to the Fire Department. A hand written or a typed invoice supported the payments.

I recommend that all payments must be payable to the specific vendor.

**Corrective Action Taken:** No checks are written to cash.

Resolved.

**2008-2 Form W-9 not on file**

The purpose of the Form W-9 is to obtain the correct taxpayers' identification number to report income paid to individuals who are not incorporated and in some instances payments to corporations. Manchac Volunteer Fire Department did not have completed Forms W-9 on file.

I recommend that Form W-9 be completed by vendor's providing a service to the Fire Department.

**Corrective Action Taken:** No W-9s were on file for 2009.

Unresolved: See current year finding 2009-1.

**2008-3 Gas in personal vehicles**

As a result of my examination, I noted on some occasions the Fire Chief put gas in his personal vehicle. I was not able to determine the number of times this happened or the dollar amount of the gas used.

I recommend the Fire Chief submit an expense report to the Fire Board to be reimbursed for mileage and other expenses incurred while performing service for Manchac Volunteer Fire Department.

**Corrective Action Taken:** No one gets reimbursed for gas or mileage. No one puts gas in his personal vehicle.

Resolved.

Continued

**Manchac Volunteer Fire Department, Inc.**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2009**

**2008-4 Department does not receive itemized gas bills**

The Department does not receive itemized gas bills. The Department buys most of its gas and diesel from a local vendor. At the end of each month the vendor submits an invoice with a total to be paid. Sufficient documentation was not available to support the charges.

I recommend the Department request an invoice each time gas or diesel is purchased. The vehicle identification should be listed on the invoice.

**Corrective Action Taken:** The Fire Department receives an invoice each time gas or diesel is purchased. The invoice contains the vehicle unit number. Gas is purchased for the rescue boat, lawnmower or weed eater. The boat is labeled marine one. Each invoice contains the proper description.

Resolved.

**2008-5 Two signatures not required on checks**

As a result of my examination, I noted many checks had only one signature.

I recommend management consider requiring two signatures on checks, at least those over a specified amount. The use of facsimile signatures should be avoided if at all possible. Review supporting documentation when checks are signed and investigate any discrepancies.

**Corrective Action Taken:** Management requires two signatures on all checks.

Resolved.

**2008-6 Per Diem for meals and lodging**

In November of 2007, the Fire Chief and 1<sup>st</sup> Lieutenant cashed a check for \$5,000 and traveled to Costa Mesa, California to purchase a fire boat for the Department. The total cost of the trip was \$4,930.55. Lodging totaled \$1,844.25 and meals were approximately \$690. There was \$232.89 that I was not able to identify.

I recommend the Board adopt a policy to pay per diem for meals and lodging.

**Corrective Action Taken:** Members of the Fire Department did not travel overnight in 2009. In the event of future travel, management will refer to Tangipahoa Parish Rural Fire Protection District No. 2's policy to pay per diem for meals and lodging.

Resolved.

Continued

**Manchac Volunteer Fire Department, Inc.**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2009**

**2008-7 Numerous accounting errors**

As a result of my examination, I noted many expenditures incorrectly coded in the general ledger.

A proper description should be written on the check stubs before they are submitted to the accounting firm.

**Corrective Action Taken:** A proper description is written on check stubs before they are submitted to the accounting firm.

Resolved.

**2008-8 Failure to issue Forms 1099**

**Condition:** The Fire Department paid several vendors more than \$600 during the calendar year ending December 31, 2008 for services but did not issue Form 1099 to these vendors.

**Corrective Action Taken:** Management relied on their accounting firm to issue 1099 Forms for 2009. The accounting firm did not issue 1099 Forms for 2009.

Unresolved: See current year finding 2009-2.

**2008-9 Violation of Agreement with Fire Protection District No. 2**

**Condition:** Manchac Fire Department entered into an agreement for the construction of a boat shed in the amount of \$20,000 without prior approval of the Board of Commissioners of Fire District No. 2.

I recommend management have purchases of \$10,000 approved by the Board of Commissioners.

**Corrective Action Taken:** The Fire Department did not have any purchases of \$10,000 in 2009. Management agrees to receive prior approval of the Board of Commissioners of Fire District No. 2 for any expenditures for salaries and any purchases of real property, or purchases of equipment exceeding \$10,000 per invoice.

Resolved.

**2008-10 Unauthorized Transaction**

**Condition:** The former Fire Chief paid himself \$1,000 for manning the firehouse for three weeks during hurricanes Gustav and Ike. He was not a paid fireman. The payment was not approved by the Board of Commissioners. The former Fire Chief was not issued a Form W-2 or Form 1099-Misc. Members of the Commission contend that all salaries must be approved by the Board of Commissioners.

Continued

**Manchac Volunteer Fire Department, Inc.**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2009**

I recommend the Board of Commissioners seek legal council regarding this matter.

**Corrective Action Taken:** This finding was investigated by the District Attorney's office. Management discontinued this practice.

Resolved.

**2008-11 Purchase of Alcohol with Public Funds**

**Condition:** In November of 2007 the former Fire Chief and 1<sup>st</sup> Lieutenant traveled to Costa Mesa, California to purchase a fire boat for the fire department. Two of the receipts for meals had purchases of alcohol totaling \$43.

I recommend the Board of Commissioners seek legal council regarding this matter.

**Corrective Action Taken:** This finding was investigated by the District Attorney's office. Management discontinue this practice.

Resolved.

**2008-12 No Record of Recorded Minutes**

**Condition:** Management has been unable to produce the minutes for the current year.

I recommend management of Manchac Volunteer Fire Department keep written minutes of all of their open meetings.

**Corrective Action Taken:** Management kept written minutes of all of their open meetings in 2009.

Resolved.

**Section II Internal Control and Compliance Material to Federal Awards**

Not applicable

**Section III Management Letter**

Not applicable

This schedule has been prepared by management.

Concluded.

**Manchac Volunteer Fire Department, Inc.**

**Schedule of Current Year and Findings  
For the Year Ended December 31, 2009**

**Section I Summary of Auditor's Reports**

**a. Report on Internal Control and Compliance Material to the Financial Statements**

Not applicable

**b. Federal Awards**

Section I not applicable.

**Section II Financial Statement Findings**

**Internal Control**

**2009-1 Form W-9 not on file**

The purpose of the Form W-9 is to obtain the correct taxpayers' identification number to report income paid to individuals who are not incorporated and in some instances payments to corporations. Manchac Volunteer Fire Department did not have completed Forms W-9 on file at December 31, 2009.

I recommend that Form W-9 be completed by vendor's providing a service to the Fire Department.

**Management's Response:** Management was relying on their accounting firm to issue Forms W-9 and issue 1099 Forms. Management will notify the accounting firm to issue 1099 Forms for 2010 and all future years. The responsible party is Bud Thompson, Fire Chief.

**Compliance**

**2009-2 Failure to issue Forms 1099**

**Criteria:** A payer must use Form 1099-Misc to report payments to persons only when payments are made in the course of a trade or business. For this rule, nonprofit organizations are considered to be engaged in a trade or business and are subject to the reporting requirements. The payer must issue a 1099-Misc to an individual if the payer paid at least \$600 in rents or services (including parts and materials).

**Condition:** The Fire Department paid several vendors more than \$600 during the calendar year ending December 31, 2009 for services but did not issue Form 1099 to these vendors.

Continued

**Manchac Volunteer Fire Department, Inc.**

**Schedule of Current Year and Findings  
For the Year Ended December 31, 2009**

**Cause:** Management was relying on their accounting firm to issue Forms W-9 and issue 1099 Forms.

**Effect:** The Department is not in compliance with this reporting requirement and may be subject to penalties.

**Recommendation:** I recommend that management notify their accounting firm immediately to issue 1099 Forms for 2010 and all future years.

**Management's Response:** Management will notify the accounting firm to issue 1099 Forms for 2010 and all future years. The responsible party is Bud Thompson, Fire Chief.

**Section III Federal Award Findings and Questioned Costs**

Section III not applicable.

Concluded.