

4149

# **EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.**

**DESTREHAN, LOUISIANA**

## **FINANCIAL REPORT**

**As of and for the Year Ended December 31, 2006**

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 7-18-07



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**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

Destrehan, Louisiana

**FINANCIAL REPORT**

As of and for the year ended December 31, 2006

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## INDEPENDENT AUDITOR'S REPORT

**Board of Directors  
East Side St. Charles Parish Volunteer Fire Department, Inc.  
Destrehan, Louisiana**

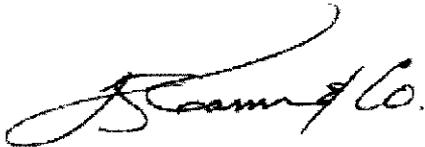
We have audited the accompanying financial statements of the governmental activities and major fund of East Side St. Charles Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2006, which collectively comprise the department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the department's management. Our responsibility is to express opinions 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 the 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the East Side St. Charles Volunteer Fire Department, Inc., as of December 31, 2006, and the respective changes in financial position for the year 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 June 29, 2007, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 5 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Thibodaux, Louisiana  
June 29, 2007

## **Required Supplemental Information**

# **EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.**

Destrehan, Louisiana

Management's Discussion and Analysis  
For the year ended December 31, 2006

Our discussion and analysis of the East Side St. Charles Parish Volunteer Fire Department, Inc.'s (the department) financial performance provides an overview of the department's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the department's financial statements, which begin on page 10.

## **FINANCIAL HIGHLIGHTS**

- Based upon the operation of 2006, the department's net assets increased by \$215,799 and resulted in ending net assets of \$2,602,445.
- Cash at the end of the year was \$4,702 lower than last year.

## **USING THIS ANNUAL REPORT**

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 10 and 11 provides information about the financial activities of the department and illustrate a longer-term view of the department's finances. Fund financial statements start on page 12. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the department's operations in more detail than the government-wide sections of the statements by providing information about the department's significant funds.

### **A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS**

#### **1. The Statement of Net Assets and the Statement of Activities**

The government-wide financial statements present financial information for all activities of the department from an economic resources measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the department's net assets and the change in them. These net assets, the difference between the assets and the liabilities, are one way to measure the department's financial position or financial health. Over time, increases or decreases in the department's net assets are one indicator of whether its financial health is improving or deteriorating.

### **B. REPORTING ON THE FIRE DEPARTMENT'S MOST SIGNIFICANT FUNDS**

#### **1. Fund Financial Statements**

The fund financial statements provide detailed information about the department's General Fund. All of the department's expenses, are reported in a governmental fund, which

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

Destrehan, Louisiana

Management's Discussion and Analysis  
For the year ended December 31, 2006

focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could readily be converted to cash. The governmental fund statements provide a detailed short-term view of the department's general operations and the expense paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future department expenses. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in reconciliations on pages 14 and 15.

**AN ANALYSIS OF THE DEPARTMENT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**A. STATEMENT OF NET ASSETS**

The following amounts reflect condensed information on the department's net assets:

	<b>2006</b>	<b>2005</b>
<b>Assets</b>		
Current assets	\$ 580,014	\$ 621,179
Capital assets, net of accumulated depreciation	2,619,338	2,427,338
<b>Total assets</b>	<b>\$ 3,199,352</b>	<b>\$ 3,048,517</b>
<b>Liabilities</b>		
Current liabilities	\$ 62,571	\$ 75,021
Long-term liabilities	534,336	586,850
<b>Total liabilities</b>	<b>\$ 596,907</b>	<b>\$ 661,871</b>
<b>Net Assets</b>		
Investment in capital assets, net of related debt	\$ 2,030,639	\$ 1,789,233
Restricted for prepaid insurance	29,588	26,558
Unrestricted	542,218	570,855
<b>Total net assets</b>	<b>\$ 2,602,445</b>	<b>\$ 2,386,646</b>

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

Destrehan, Louisiana

Management's Discussion and Analysis  
For the year ended December 31, 2006

- Current assets at the end of 2006 were \$41,165 lower than at the end of 2005. This was primarily attributable to a decrease in sales taxes receivable of \$59,388 in relation to 2005. Sales tax receivable was higher than normal in 2005 because of a temporary increase in population after Hurricane Katrina.
- During the year, the department paid \$49,407 on a loan with Capital One. The proceeds of the loan were to fund the cost of construction of a new fire station in New Sarpy. The original amount of the loan is \$650,000 with an interest rate of 5.9% and monthly payments of \$7,212.56 starting on June 3, 2005 and ending on May 3, 2015. See note 5 for more information regarding the loan.
- At the end of the year, the department had capital assets, net of accumulated depreciation in the amount of \$2,619,338. This was made up of \$4,432,642 in capital assets and \$1,813,304 in accumulated depreciation. The department purchased \$12,182 in equipment and \$314,960 on a new rescue pumper (vehicle).

**B. STATEMENT OF ACTIVITIES**

The following table illustrates the revenues and expenses that produced the increase in net assets for the fiscal year.

	<u>2006</u>	<u>2005</u>
<b>Revenue</b>		
General revenue	\$ 591,009	\$ 490,300
Total revenue	591,009	490,300
<b>Expenses</b>		
Public safety - fire protection	375,210	377,073
Total expenses	375,210	377,073
Change in net assets	215,799	113,227
<b>Net assets:</b>		
Beginning of the year	2,386,646	2,273,419
End of the year	<u>\$ 2,602,445</u>	<u>\$ 2,386,646</u>

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

Destrehan, Louisiana

**Management's Discussion and Analysis  
For the year ended December 31, 2006**

- Based upon the operation of 2006, the department's net assets increased by \$215,799 which resulted in ending net assets of \$2,602,445. This increase in net assets is attributable to an increase in income of \$100,709 and a decrease in expenses of \$27,676.
- Revenue for the year was \$100,709 higher than last year primarily because of an increase in ad valorem taxes (\$68,504), sales tax revenue (\$17,559). In 2006, the department also received a corporate donation of \$10,000.
- Expenses for the year were \$27,676 lower than last year primarily because the department incurred more interest expense and purchased more personnel equipment and supplies in 2005.

**GOVERNMENTAL FUND**

The department uses funds to help control and manage money for particular purposes. At the completion of the year, the department's governmental fund reported a fund balance of \$423,627. This reflects a decrease of \$52,125 from last year. This is attributable to a \$59,389 decrease in sales tax receivable.

**CAPITAL ASSETS AND LONG-TERM DEBT**

During the year, the department purchased \$12,182 in equipment and \$314,960 in vehicles. Depreciation expense for the year was \$181,096. The total capital assets, net of accumulated depreciation, were \$2,619,338 as of December 31, 2006.

In 2005, the department obtained a loan for the construction a new fire station in New Sarpy. The loan amount was \$650,000 with an interest rate of 5.9% and monthly payments of \$7,212.56 starting on June 3, 2005 and ending on May 3, 2015. See note 5 for more information regarding the loan.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Because the department is a quasi-public entity, it does not have to comply with state laws regarding budgeting.

**ECONOMIC FACTORS FOR NEXT YEAR**

- The Fire Department plans to increase its fire training and fire prevention training.
- The Fire Department will enter into negotiations to settle an ongoing dispute regarding the general contractor for the building construction. At December 31, 2006, the settlement is unknown.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

Destrehan, Louisiana

Management's Discussion and Analysis  
For the year ended December 31, 2006

- The department will complete and sign the lease on the old fire station (station #1) with the parish. The parish will have a 10-year lease on the metal building.
- The department will purchase 23 new 3000-psi bottles to replace the bottles that are out of hydrostatic life span. The cost not to exceed \$19,950.

**CONTACTING THE FIRE DEPARTMENT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the department's finances and to show the department's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. Charles Camp, Treasurer, P.O. Box 668, Destrehan, Louisiana 70047.

**CLOSING COMMENTS**

The department continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in fire protection to all our citizens.

# **Basic Financial Statements**

## ***Government-Wide Financial Statements***

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
Destrehan, Louisiana**

**Statement of Net Assets  
December 31, 2006**

	<u>Governmental Activites</u>
<b>ASSETS</b>	
Current assets:	
Cash	\$ 337,671
Receivables:	
Ad valorem taxes	149,319
Sales taxes	63,435
Prepaid insurance	<u>29,589</u>
Total current assets	580,014
Fixed assets:	
Capital assets, net of accumulated depreciation	<u>2,619,338</u>
Total fixed assets	<u>2,619,338</u>
<b>Total assets</b>	<b><u>\$ 3,199,352</u></b>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts payable to various vendors	\$ 7,067
Accrued interest payable	1,141
Current portion of long-term liabilities	<u>54,363</u>
Total current liabilities	62,571
Long-term liabilities:	
Due in more than one year	<u>534,336</u>
Total long-term liabilities	534,336
<b>Total liabilities</b>	<b><u>\$ 596,907</u></b>
<b>NET ASSETS</b>	
Investment in capital assets, net of related debt	\$ 2,030,639
Restricted for prepaid insurance	29,588
Unrestricted	<u>542,218</u>
<b>Total net assets</b>	<b><u>\$ 2,602,445</u></b>

The accompanying notes are an integral part of this statement.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC  
Destrehan, Louisiana**

**Statement of Activities  
For the Year Ended December 31, 2006**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants &amp; Contributions</u>	
<b>Expenses:</b>				
Governmental activities:				
Public safety - fire protection:				
Repairs and maintenance	\$ 31,257	\$ -	\$ -	\$ 31,257
Professional fees	15,473	-	-	15,473
Insurance	45,003	-	-	45,003
Fuel	3,034	-	-	3,034
Supplies and materials	13,350	-	-	13,350
Utilities and telephone	18,678	-	-	18,678
Personnel	22,916	-	-	22,916
Fire prevention	847	-	-	847
Dues and subscriptions	1,012	-	-	1,012
Office expense	7,927	-	-	7,927
Meetings and conventions	4,193	-	-	4,193
Installation of officers	3,491	-	-	3,491
Miscellaneous	4,335	-	-	4,335
Depreciation expense	181,096	-	-	181,096
Interest expense	22,598	-	-	22,598
	<u>\$ 375,210</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,210</u>
<b>Total governmental activities</b>	<b>\$ 375,210</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 375,210</b>

**General Revenues:**

Ad valorem tax	\$ 144,825
Sales tax	385,170
Fire insurance rebate	39,296
Dues	245
Insurance claim	6,513
Interest income	4,008
Donations	10,000
Miscellaneous income	952

**Total general revenues** \$ 591,009

**Change in net assets** 215,799

**Net assets:**

<b>Beginning of the year</b>	<u>2,386,646</u>
<b>End of the year</b>	<u>\$ 2,602,445</u>

The accompanying notes are an integral part of this statement.

# **Basic Financial Statements**

## **Fund Financial Statements**

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
Destrehan, Louisiana**

**Balance Sheet - Governmental Fund  
December 31, 2006**

		<u>General Fund</u>
<b>ASSETS</b>		
Cash	\$	337,671
Receivables:		
Ad valorem taxes		149,319
Sales taxes		63,434
Prepaid insurance		<u>29,589</u>
<b>Total Assets</b>	<b>\$</b>	<b><u>580,013</u></b>
 <b>LIABILITIES AND FUND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable to various vendors	\$	7,067
Deferred revenue		<u>149,319</u>
<b>Total liabilities</b>	<b>\$</b>	<b><u>156,386</u></b>
 <b>Fund equity and other credits</b>		
Fund balance:		
Reserved for prepaid insurance	\$	29,589
Unreserved - undesignated		<u>394,038</u>
<b>Total fund equity and other credits</b>	<b>\$</b>	<b><u>423,627</u></b>
<b>Total liabilities, fund equity and other credits</b>	<b>\$</b>	<b><u>580,013</u></b>

The accompanying notes are an integral part of this statement.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
Destrehan, Louisiana**

**Statement Revenues, Expenditures, and Changes in Fund Balances  
Governmental Fund  
For the Year Ended December 31, 2006**

**Revenues**

Taxes:	
Sales	\$ 385,170
Ad valorem	132,855
Fire insurance rebate	39,296
Dues	245
Insurance claim	6,513
Donations	10,000
Miscellaneous:	
Interest earned	4,008
Other	952
Total revenues	<u>579,039</u>

**Expenditures**

## Public safety - fire protection:

Current:	
Repairs and maintenance	29,702
Professional fees	15,473
Insurance	45,003
Fuel	3,034
Supplies and materials	14,905
Utilities and telephone	18,678
Personnel	22,916
Fire prevention	847
Dues and subscriptions	1,012
Office expense	7,927
Meetings and conventions	4,193
Installation of officers	3,491
Miscellaneous	4,336
Capital outlay:	
Capital outlay	373,096
Retirement of long-term debt	
Principal retirement	49,407
Interest	37,144
Total expenditures - public safety	<u>631,164</u>

**Excess of revenues over expenditures** (52,125)

**Fund balance**

Beginning of year	<u>475,752</u>
End of year	<u>\$ 423,627</u>

The accompanying notes are an integral part of this statement.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
Destrehan, Louisiana**

**Reconciliation of the Governmental Fund Balance Sheet to the  
Government-Wide Statement of Net Assets  
December 31, 2006**

Total Fund Balances - Governmental Fund	\$	423,627
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet		2,619,338
Ad valorem taxes will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore they are reported as deferred revenue in the fund financial statements.		149,320
Some liabilities reported in the statement of net assets do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Accrued interest payable		(1,141)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds Balance Sheet. All liabilities both current and long-term are reported in the Statement of Net Assets.		
Notes payable		<u>(588,699)</u>
Total Net Assets - Governmental activities	\$	<u><u>2,602,445</u></u>

The accompanying notes are an integral part of this statement.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
Destrehan, Louisiana**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances of Governmental Funds to the Statement of Activities  
For the year ended December 31, 2006**

Net Change in Fund Balances - Governmental Funds \$ (52,125)

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report debt service payments as expenditures. However, repayment of principle indebtedness reduces long-term liabilities in the statement of net assets instead of being an expense. This is the amount of principal repayments in the current year. 49,407

Ad valorem tax revenue in the statement of activities that do not provide current resources is not reported as revenue in the fund financial statements. 11,970

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital assets purchased	\$	373,087	
Depreciation expense		<u>(181,096)</u>	191,991

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	<u>14,556</u>
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Change in Net Assets - Governmental activities \$ 215,799

## **Notes to the Financial Statements**

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

**INTRODUCTION**

The East Side St. Charles Parish Volunteer Fire Department, Inc. (the department) was organized as a non-profit quasi-governmental corporation to provide fire protection to the Parish of St. Charles. The department is exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code. Its objective is to provide fire protection to the Parish of St. Charles.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Presentation**

The Department's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Department are discussed below.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued in June 1999.

**B. Reporting entity**

The Department receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Department is a "primary government" and is not included as a component unit of any other St. Charles Parish governmental "reporting entity" as defined in GASB pronouncements, since the entity is a non-profit corporation, and the board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Department includes all activities that are controlled by it as a quasi-public non-profit corporation organized to provide fire protection to the Parish of St. Charles. The Department has no component units.

The accounting and reporting policies of the Department conform to generally accepted accounting principles as applicable to governmental units.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

**C. Basic Financial Statements - Government-wide Statements**

The department's basic financial statements include both government-wide (reporting the department as a whole) and fund financial statements (reporting the department's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The department's general fund is its only fund and is classified as a governmental fund. The department has no business-type activities.

In the government-wide Statement of Net Assets (Statement A), the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The department's net assets are reported in two parts—invested in capital assets, net of related debt and unrestricted net assets.

The government-wide Statement of Activities (Statement B) reports both the gross and net cost of the department's function. General government revenues (1/8 cent sales tax and ad valorem tax) support the function. The department does not receive related program revenues and operating grants which would reduce gross expenses in the Statement of Activities.

This government-wide focus is more on the sustainability of the department as an entity and the change in the department's net assets resulting from the current year's activities.

**D. Basic Financial Statements - Fund Financial Statements**

The department uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the department are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

Governmental Funds

Governmental funds account for the department's entire general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the

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DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

department and accounts for all financial resources. It is the department's only governmental fund.

**E. Basis of Accounting / Measurement Focus**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The department's records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 20<sup>th</sup> day of the month following incurrence of the taxes by businesses.

An ad valorem issue is dedicated to the operations of the nine volunteer fire departments in St. Charles Parish. The tax millage expires in 2010. Each department is to receive one ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

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VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

The majority of the department's revenues are derived from the one-eighth of one percent sales tax and the ad valorem tax for operations.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**F. Budgets and Budgetary Accounting**

The Department was not required to prepare a budget for the year ended December 31, 2006.

**G. Cash and Cash Equivalents**

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.

Cash and cash equivalents, which include interest bearing demand deposit accounts and certificates of deposit with an original maturity of less than 90 days, are stated at cost, which approximates fair market value.

**H. Investments**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

Certificates of deposit, with an original maturity of greater than 90 days, which are stated at cost which approximates market are considered investments. Investments in certificates of deposit are reported at cost because they are "nonparticipating" interest-earning investment contracts as discussed in GASB 31. The term "nonparticipating" means that the investment value does not vary with market interest rate changes. Investments which include securities traded on a national or international exchange are valued based on their last reported

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

sales price (fair value). Investments that do not have an established market are reported at estimated fair value.

**I. Inventories**

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

**J. Receivables**

The financial statements of the department do not contain an allowance for uncollectible receivables because management believes all amounts will be collected. However, if management becomes aware of information that would change its assessment about the collectibility of any receivable, management would write off the receivable as a bad debt at that time.

**K. Use of 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.

**L. Capital Assets**

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings	40 years
Building improvements	10 - 40 years
Equipment	5 - 15 years
Vehicles	5 - 15 years

In the fund financial statements, capital assets used in the department's operations are accounted for as capital outlay expenditures of the governmental fund that provided the resources to acquire the assets. Depreciation is not computed or recorded on capital assets for purposes of the fund financial statements.

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Notes to the Financial Statements  
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**M. Long-Term Obligations**

In the government-wide financial statements, debt and principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt and principal payments of governmental funds are recognized as expenditures when paid.

**N. Net Assets/Fund Balances**

In the Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets is as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Assets

This component consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation. The department has restricted net assets for prepaid insurance.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

When both restricted and unrestricted resources are available for use, it is the department's policy to use restricted resources first to finance its activities.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use. The department has reserved fund balances for prepaid insurance.

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DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
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Unreserved

This category represents that portion of equity not appropriate for expenditures or legally segregated for a specific future use.

**NOTE 2. CASH**

At December 31, 2006, the department had cash (book balances) totaling \$337,671, as follows:

<u>Cash</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Credit Risk Category</u>
First American Bank:					
Checking - Operating	\$ 152,730	\$ 152,730	0.47%	Demand	Category 1
Capital One Bank:					
Checking - General	152,154	\$ 152,154		Demand	Category 1 & 3
Savings - Benefit Savings	9,129	9,129	0.35%	Demand	Category 3
Checking - Utility Fund	23,508	23,508	0.45%	Demand	Category 3
Petty Cash	<u>150</u>	<u>150</u>	None	Demand	N/A
Total Cash	<u>\$ 337,671</u>	<u>\$ 337,671</u>			

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 must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the total balances of the department's checking accounts (bank balances) and certificates of deposits at the two institutions that the department has accounts with totaled \$338,353. The total amount secured by FDIC insurance (Category 1) was \$200,000. The remaining \$138,383 was uninsured but was collateralized by securities pledged by the bank and held for the benefit of the department (Category 3) thereby eliminating their credit risks.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

**NOTE 3. REVENUE RECEIVABLES**

The receivables at December 31, 2006 consisted of ad valorem taxes in the amount of \$149,319, and sales taxes in the amount of \$63,435.

**NOTE 4. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Balance at 12/31/2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2006</u>
Capital assets not being depreciated:				
Land	\$ 85,479	\$ 45,954	\$ 0	\$ 131,433
Total capital assets not being depreciated	<u>85,479</u>	<u>45,954</u>	<u>0</u>	<u>131,433</u>
Capital assets being depreciated:				
Buildings	1,738,377	0	0	1,738,377
Vehicles	1,659,365	314,960	0	1,974,325
Equipment	576,325	12,182	0	588,507
Total capital assets being depreciated	<u>3,974,067</u>	<u>327,142</u>	<u>0</u>	<u>4,301,209</u>
Less: accumulated depreciation	<u>(1,632,208)</u>	<u>(181,096)</u>	<u>0</u>	<u>(1,813,304)</u>
Total capital assets being depreciated, net	<u>2,341,859</u>	<u>146,046</u>	<u>0</u>	<u>2,487,905</u>
Total capital assets, net	<u>\$ 2,427,338</u>	<u>\$ 192,000</u>	<u>\$ 0</u>	<u>\$ 2,619,338</u>

Depreciation expense for the year 2006 was \$181,096.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

**NOTE 5. LONG-TERM DEBT**

A summary of the changes in general long-term debt obligations of the Fire Department is as follows:

Long-term Obligations Payable at:	
December 31, 2005	\$ 638,106
Additions	-
Reductions	<u>(49,407)</u>
December 31, 2006	<u>\$ 588,699</u>

May 3, 2005, the department obtained a loan in the amount of \$650,000 to fund a portion of the construction of a new station. The interest rate is 5.9% with monthly payments of \$7,212.56 starting on June 3, 2005 and ending on May 3, 2015.

The required principal and interest payments for the life of the loan are as follows:

	<u>Interest</u>	<u>Principal</u>	<u>Total Payment</u>
2006	\$ 35,295	\$ 51,256	\$ 86,551
2007	32,188	54,363	86,551
2008	28,892	57,659	86,551
2009	25,397	61,154	86,551
2010	21,690	64,861	86,551
2011-2015	<u>45,394</u>	<u>348,813</u>	<u>394,207</u>
<b>Total</b>	<u>\$ 188,856</u>	<u>\$ 638,106</u>	<u>\$ 826,962</u>

**NOTE 6. FIRE PROTECTION CONTRACT**

Effective March 1, 1980, sales tax in the amount of one-eighth of one percent is collected by the St. Charles Parish School Board and administered by the Parish President. The sales tax is to be used for the fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen's Association, Inc. Effective January 2000, the sales tax is distributed on the following basis:

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DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

	Monthly Basis	% of Remaining Funds
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.69%
Des Allemands Volunteer Fire Dept., Inc.	\$ 2,500	4.68%
East Side St. Charles Volunteer Fire Dept., Inc.	\$ 2,500	23.07%
Hahnville Volunteer Fire Dept., Inc.	\$ 2,500	5.88%
Killona Volunteer Fire Dept., Inc.	\$ 2,500	1.47%
Luling Volunteer Fire Dept., Inc.	\$ 2,500	29.52%
Norco Area Volunteer Fire Dept., Inc.	\$ 2,500	10.19%
Paradis Volunteer Fire Dept., Inc.	\$ 2,500	4.79%
St. Rose Volunteer Fire Dept., Inc.	\$ 2,500	16.71%

The Department receives a monthly base amount of \$2,500 plus 23.07% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2006 was \$385,170.

**NOTE 7. AD VALOREM TAX**

Effective July 21, 1990, the voters of St. Charles Parish approved a property tax millage in the amount of 1.6 mills. This tax is collected by the St. Charles Parish Sheriff to be used for the fire protection of the Parish of St. Charles. The funds are distributed when collected to the nine individual fire departments of the St. Charles Parish Firemen's Association, Inc. by the parish's Department of Finance. The department's share of the total property tax for the year ended December 31, 2006 was \$144,825.

The ad valorem tax is levied each year by the St. Charles Parish Assessor on November 15 based upon the assessed value, less homestead exemptions. The 1st day of January preceding the annual levy date (Nov. 15th) is used as the date to value the property subject to tax. The tax becomes due on November 15 and is considered delinquent if not paid by December 31. Most of the property tax revenues are collected during the months of December, January, and February.

Government-wide financial statements

Ad valorem tax revenue is recognized in the year for which the taxes are levied. Revenue is recognized as the current year's assessment less the uncollected portion of the prior year's assessment.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

Fund financial statements

The department does not consider the current year's assessment to be "available" for current year expenditures and budgets the revenue to be used in the year following the assessment, when the majority of the taxes are actually collected.

**NOTE 8. INSURANCE PROCEEDS**

During the year 2006, the department received money from insurance claims that it filed for damage from the 2005 hurricanes. The department received \$6,513 to repair the damage from the hurricanes.

**NOTE 9. LEASE COMMITMENTS**

The department has entered into two operating leases with St. Charles Parish at no cost to the department as follows:

<u>Location</u>	<u>Term</u>
Parcel T-1A of Ormond Country Club	Twenty years commencing November 5, 2002
Fire Station, 13902 River Road, Destrehan including all improvements	Expires September 1, 2015

**NOTE 10. RISK MANAGEMENT**

The department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to its volunteers; and natural disasters. The department has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the department's insurance coverage.

The department's management has not purchased commercial insurance or made provisions to cover or reduce the risk of loss, as a result of business interruption and certain acts of God, like floods or earthquakes.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.  
DESTREHAN, LOUISIANA**

Notes to the Financial Statements  
As of and for the year ended December 31, 2006

**NOTE 11. LITIGATION AND CLAIMS**

In 2006, the department was involved in an ongoing dispute put forth by the general contractor that the department retained for the construction of the new fire station. By year-end, the board had decided to enter into negotiations to settle the matter.

**NOTE 12. SUBSEQUENT EVENT**

In March 2007, the board settled the dispute reported in Note 11 for \$18,000. This is a subsequent event to the financial statements for the year ended December 31, 2006.

## **Reports by Management**

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

**Summary of Schedule of Prior Audit Findings  
As of and for the Year Ended December 31, 2006**

**Ref. No.**

0512-01

**Fiscal Year Finding Initially Occurred**

All previous years

**Description of Finding**

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the East Side St. Charles Parish Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

**Corrective Action Taken (Yes, No, Partially)**

No

**Planned Corrective Action/Partial Corrective Action Taken**

None

**Additional Explanation**

This is a common reportable condition noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition cannot be remedied in a cost effective manner.

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

**Summary of Schedule of Current Year Audit Findings  
As of and for the Year Ended December 31, 2006**

**Ref. No.**

0612-01

**Description of Finding**

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the East Side St. Charles Parish Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

**Corrective Action Planned**

No corrective action plan is taken because of the size of the entity.

**Name of Contact Person**

Charles Camp, Treasurer

**Anticipated Completion Date**

None

**Additional Explanation**

This is a common reportable condition noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the reportable condition.

The reportable condition cannot be remedied in a cost effective manner.

**OTHER REPORT REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Board of Directors  
East Side St. Charles Parish Volunteer Fire Department, Inc.  
Destrehan, Louisiana**

We have audited the accompanying financial statements of the governmental activities and major fund of East Side St. Charles Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2006, which collectively comprise the department's basic financial statements and have issued our report thereon dated June 29, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of the department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the department's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the department's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the department's financial statements that is more than inconsequential will not be prevented or detected by the department's internal control. We consider the deficiencies described in the accompanying schedule

of current year audit findings on page 29 to be significant deficiencies in internal control over financial reporting.

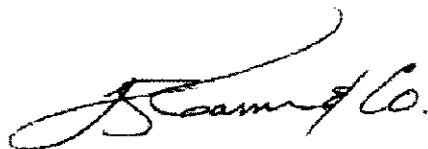
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the department's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 0612-01 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the department's Board, those governments for which reporting is required, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.



Thibodaux, Louisiana  
June 29, 2007