

ANNUAL FINANCIAL REPORT
BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2017



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

TABLE OF CONTENTS

<u>FINANCIAL SECTION</u>	<u>EXHIBIT</u>	<u>PAGE</u>
<u>INDEPENDENT AUDITORS' REPORT</u>		1 – 3
<u>REQUIRED SUPPLEMENTARY INFORMATION:</u>		
Management’s Discussion and Analysis (Unaudited)		4 – 6
<u>BASIC FINANCIAL STATEMENTS:</u>		
GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)		
Statement of Net Position.....	A	7
Statement of Activities	B	8
FUND FINANCIAL STATEMENTS (FFS)		
Governmental Funds:		
Balance Sheet	C	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	D	10
Statement of Revenues, Expenditures and Changes in Fund Balances	E	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	F	12
NOTES TO FINANCIAL STATEMENTS		13 – 21
<u>OTHER SUPPLEMENTARY INFORMATION</u>		<u>SCHEDULE</u>
Schedule of Compensation, Benefits, and Other Payments to Agency Head.....	A-1	22
<u>OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS</u>		
Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		23 – 24
Schedule of Findings and Responses		25 – 26
Summary Schedule of Prior Year Findings		27
Management’s Corrective Action Plans		28



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Bayou Gauche Volunteer Fire Department, Inc.
Bayou Gauche, LA

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Bayou Gauche Volunteer Fire Department, Inc., as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Bayou Gauche Volunteer Fire Department, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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, the *Louisiana Governmental Audit Guide*, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



To the Board of Directors of
Bayou Gauche Volunteer Fire Department, Inc.
June 25, 2018

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Bayou Gauche Volunteer Fire Department, Inc., as of December 31, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bayou Gauche Volunteer Fire Department, Inc.'s basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis as required by Act 706 of the 2014 Louisiana Legislative Session and is not a required part of the basic financial statements.



To the Board of Directors of
Bayou Gauche Volunteer Fire Department, Inc.
June 25, 2018

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits, and other payments to agency head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, on our consideration of Bayou Gauche Volunteer Fire Department, Inc.'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bayou Gauche Volunteer Fire Department, Inc.'s internal control over financial reporting and compliance.

June 25, 2018
New Orleans, Louisiana

A handwritten signature in black ink, appearing to read "Eric Krentel".

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
BAYOU GAUCHE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

This section of the Bayou Gauche Volunteer Fire Department, Inc.'s (the Fire Department) annual financial report presents management's analysis of the Fire Department's financial performance for the year ended December 31, 2017. This analysis should be read in conjunction with the audited financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

1. The Fire Department's net position decreased by \$22,055.
2. The general revenues of the Fire Department were \$308,587.
3. The total expenses of the Fire Department were \$330,642.

OVERVIEW OF THE FINANCIAL STATEMENTS

This report consists of two sections: Management's Discussion and Analysis and audited financial statements. The financial statements also include notes that provide additional detail of the information included in the financial statements.

BASIC FINANCIAL STATEMENTS

The financial statements of the Fire Department report information about the Fire Department using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the Fire Department.

The Statement of Net Position presents information that includes all of the Fire Department's assets and liabilities with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Fire Department as a whole is improving or deteriorating.

The Statement of Activities presents information on how the Fire Department's net position changed as a result of current period operations.

The following presents condensed financial information of the Fire Department.

SUMMARY OF NET POSITION
AS OF DECEMBER 31, 2017 AND 2016

	<u>ASSETS</u>	
	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Current assets	\$ 643,776	\$ 617,255
Capital assets, net of accumulated depreciation	<u>681,304</u>	<u>730,238</u>
Total assets	<u>\$ 1,325,080</u>	<u>\$ 1,347,493</u>

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
BAYOU GAUCHE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

LIABILITIES

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Current liabilities	\$ <u>12,220</u>	\$ <u>12,578</u>
Total liabilities	\$ <u>12,220</u>	\$ <u>12,578</u>

NET POSITION

Net investment in capital assets	\$ 681,304	\$ 730,238
Restricted for fire protection	<u>631,556</u>	<u>604,677</u>
Total net position	\$ <u>1,312,860</u>	\$ <u>1,334,915</u>

Total assets decreased by \$22,413 (2%) primarily due to non-cash depreciation expense.

Total liabilities decreased by \$358 (3%) due to a decrease in accounts payable.

Total net position decreased by \$22,055 (2%) as a result of operations.

SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
General revenues	\$ 308,587	\$ 294,111
Public safety – fire protection	<u>(330,642)</u>	<u>(333,385)</u>
Change in net position	\$ <u>(22,055)</u>	\$ <u>(39,274)</u>
Ending net position	\$ <u>1,312,860</u>	\$ <u>1,334,915</u>

The change in net position improved by \$17,219 (44%). This is primarily due to decreases in training and depreciation expenses from the prior year.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
BAYOU GAUCHE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

CAPITAL ASSETS

Following is a schedule of capital assets, net of accumulated depreciation:

	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Land	\$ 24,000	\$ 24,000
Construction in progress	35,485	31,985
Buildings and improvements	416,175	412,048
Land improvements	24,863	24,863
Furniture and fixtures	4,470	4,470
Equipment	400,354	343,853
Vehicles	<u>1,370,396</u>	<u>1,370,396</u>
 Total	 2,275,743	 2,211,615
Less: accumulated depreciation	<u>(1,594,439)</u>	<u>(1,481,377)</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 681,304</u>	 <u>\$ 730,238</u>

The major additions to capital assets during 2017 consisted of equipment purchases and construction in progress related to a new station.

ECONOMIC FACTORS AND A LOOK AT NEXT YEAR

The Fire Department expects to continue to be funded through sales tax and ad valorem revenues remitted to it by the St. Charles Parish. In the fourth quarter of 2018, the ad valorem tax will be up for renewal with the citizens of St. Charles Parish. The Fire Department expects this time that it will be renewed. If it is not, the current appropriation will expire in 2020. The Fire Department also applies for grants for assistance in purchasing fire-fighting supplies. The Fire Department's fleet and some of its equipment are aging and the Fire Department expects its costs in maintenance and fire supplies to continue to rise. The Fire Department will continue to replace certain long-lived equipment in 2018 including air packs and office equipment.

The Fire Department is currently building a new storage building and renovating its fire station to increase its ability to respond in emergencies. The Fire Department is committed to providing the highest level of emergency response to the citizens of Bayou Gauche.

CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT

This report is designed to provide a general overview of the Fire Department and to demonstrate the Fire Department's accountability for its finances. If you have any questions about this report or need additional information, please contact Mr. Casey Hogan, Bayou Gauche Volunteer Fire Department, Inc., 410 1st Street, Des Allemands, Louisiana 70030.

BASIC FINANCIAL STATEMENTS

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

ASSETS:

Cash	\$ 277,193
Due from Parish	337,886
Prepaid expenses	28,697
Capital assets, net of accumulated depreciation	<u>681,304</u>
 Total assets	 <u>1,325,080</u>

LIABILITIES:

Accounts payable	<u>12,220</u>
 Total liabilities	 <u>12,220</u>

NET POSITION:

Net investment in capital assets	681,304
Restricted for fire protection	<u>631,556</u>
 Total net position	 <u>\$ 1,312,860</u>

The accompanying notes are an integral part of this statement

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

FUNCTIONS/PROGRAMS**GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ <u>330,642</u>
Net (expense) from governmental activities	<u>(330,642)</u>

GENERAL REVENUES:

Sales tax - 1/8 percent	103,878
Ad valorem tax	193,760
Fire insurance rebate	9,314
Other revenues	<u>1,635</u>
Total general revenues	<u>308,587</u>
Change in net position	(22,055)
Net position - beginning	<u>1,334,915</u>
Net position - ending	<u>\$ 1,312,860</u>

The accompanying notes are an integral part of this statement

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.

BALANCE SHEET

AS OF DECEMBER 31, 2017**ASSETS**

Cash	\$	277,193
Due from Parish		337,886
Prepaid expenses		<u>28,697</u>
Total assets	\$	<u><u>643,776</u></u>

LIABILITIES:

Accounts payable	\$	<u>12,220</u>
Total liabilities		<u>12,220</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenues		<u>337,886</u>
Total deferred inflows of resources		<u>337,886</u>

FUND BALANCE:

Nonspendable: prepaid expenses		28,697
Restricted for fire protection		<u>264,973</u>
Total fund balance		<u>293,670</u>
Total liabilities, deferred inflows of resources and fund balance	\$	<u><u>643,776</u></u>

The accompanying notes are an integral part of this statement

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2017

Fund balance - total governmental fund	\$ 293,670
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	681,304
Certain tax collections are not available to pay for current-period expenditures and therefore are reported as deferred inflows of resources in the governmental funds.	<u>337,886</u>
Net position of governmental activities	<u>\$ 1,312,860</u>

The accompanying notes are an integral part of this statement

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2017

REVENUES:

Other revenues	\$ 1,635
Total revenues	<u>1,635</u>

EXPENDITURES:

Current for fire protection:

Utilities:

Electricity, water and gas	8,409
Telephone and data	4,938

Equipment:

Maintenance	25,553
Fuel	5,665
Insurance	12,563

Buildings:

Insurance	23,258
Maintenance	10,918
Supplies	8,741

Firefighting expenditures:

Fire fighting supplies	55,770
Fire prevention	1,988
Insurance	4,410
Training	11,558

Miscellaneous:

Professional services	12,600
Office expenses	15,810
Meetings and other	6,804
Fines and penalties	5,533
Dues and subscriptions	<u>3,062</u>

 Total current expenditures 217,580

Capital outlays 64,128

 Total expenditures 281,708

Net change in fund balance (280,073)

Fund balance - beginning - as restated 573,743

Fund balance - ending \$ 293,670

The accompanying notes are an integral part of this statement

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
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, 2017

Net change in fund balance - governmental fund	\$	(280,073)
Amounts reported for governmental activities in the Statement of Activities are different because:		
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. This is the amount by which depreciation expense of \$113,062 exceeded capital outlays of \$64,128 in the current period.		(48,934)
Property tax revenues in the government-wide Statement of Activities include economic resources that are not reported as revenues in the governmental fund operating statement. This is the amount that deferred inflows of resources in the current year of \$337,886 exceeded deferred inflows of resources in the prior year of \$30,934.		<u>306,952</u>
Change in net position of governmental activities	\$	<u>(22,055)</u>

The accompanying notes are an integral part of this statement

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bayou Gauche Volunteer Fire Department, Inc. (Fire Department) receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Fire 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 Fire 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 Fire Department has no component units.

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

Basis of Presentation

The Fire 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 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 Fire 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, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

Basic Financial Statements - Government-Wide Financial Statements (GWFS)

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Fire Department's fire protection activities and related general administrative services are classified as governmental activities. The Fire Department does not have any business-type activities.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Government-Wide Financial Statements (GWFS)
(continued)

In the government-wide Statement of Net Position (Exhibit A), the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and liabilities. The Fire Department's net position is reported in two parts – net investment in capital assets and restricted for fire protection.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of the Fire Department's function. The function is supported by general government revenues (primarily 1/8 percent sales tax and ad valorem tax). The Fire 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 on the sustainability of the Fire Department as an entity and the change in the Fire Department's net position resulting from current year's activities.

Basic Financial Statements – Fund Financial Statements (FFS)

The financial transactions of the Fire Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, deferred outflows of resources, liabilities, deferred inflows of resources, reserves, fund equity, revenues and expenditures. The Fire Department's current operations require the use of only the following fund type:

Governmental Fund:

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. In general, fund balance represents the accumulated expendable resources, which may be used to finance future operations of the Fire Department.

General Fund:

The General Fund is the principal fund of the Fire Department and is used to account for the operations of the Fire Department. General revenues are accounted for in this fund. General operating expenditures are paid from this fund.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The 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 exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The Fire Department 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 20th 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 2020. Each fire department is to receive one ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

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

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Basis of Accounting (continued)

Expenditures

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

Cash

The Fire Department is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, and the laws of the United States. The Fire Department may also invest in time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits must be secured by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the Fire Department or its agent in the Fire Department's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the Fire Department's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agent but not in the Fire Department's name, and deposits which are uninsured or uncollateralized.

At December 31, 2017, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	<u>Bank Balances Category</u>			<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>
Cash	<u>\$ 250,000</u>	<u>\$ _____</u>	<u>\$ 57,189</u>	<u>\$ 307,189</u>

Budgets and Budgetary Accounting

The Fire Department prepares a budget for its General Fund which is approved by its board of directors. Budgets are not, however, legally adopted nor required in the basic financial statement presentation.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Fire Department maintains a threshold level of \$1,000 or more for recording capital assets. 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.

Capital assets are recorded in the Statement of Net Position and depreciation is recorded in the Statement of Activities. Since surplus assets are sold for an immaterial amount or scrapped when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives:

Description	Estimated Lives
Equipment	5 - 15 years
Fire protection vehicles	5 - 15 years
Fire stations and other buildings	10 - 40 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition.

Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be 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.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

- c. Unrestricted net position – net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable – amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – amounts that can be spent only for specific purposes because of state, local or federal awards or externally imposed conditions by grantors or creditors.
- c. Committed – amounts that can be used for specific purposes determined by formal action by an ordinance or resolution.
- d. Assigned – amounts that are designated by the formal action of the government's highest level of decision making authority.
- e. Unassigned – amounts not included in other classifications.

The Board of Directors, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment. For assigned fund balance, the Board of Directors authorizes management to assign amounts for a specific purpose.

When both restricted and unrestricted fund balances are available for use, it is the Fire Department's policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use, it is the Fire Department's policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

Use of Estimates

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

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Income Taxes

The Fire Department is exempt from federal income tax under Section 501(c)(4) of the Internal Revenue Code. It is exempt from Louisiana income tax under the authority of R.S. 47:121(7). The Fire Department's evaluation as of December 31, 2017 revealed no tax positions that would have a material impact on the financial statements. The 2014 through 2017 tax years remain subject to examination by the IRS. The Fire Department does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Date of Management Review

Management has evaluated subsequent events through June 25, 2018, the date which the financial statements were available to be issued.

(2) **SALES TAX REVENUE**

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 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.

For December 31, 2017, the sales tax is distributed on the following basis:

	<u>Monthly Basis</u>	<u>Remaining Funds 1/1/17-12/31/17</u>
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.78 %
Des Allemands Volunteer Fire Dept., Inc.	\$ 2,500	4.10 %
East Side St. Charles Volunteer Fire Dept., Inc.	\$ 2,500	22.72 %
Hahnville Volunteer Fire Dept., Inc.	\$ 2,500	7.00 %
Killona Volunteer Fire Dept., Inc.	\$ 2,500	1.47 %
Luling Volunteer Fire Dept., Inc.	\$ 2,500	30.85 %
Norco Area Volunteer Fire Dept., Inc.	\$ 2,500	9.81 %
Paradis Volunteer Fire Dept., Inc.	\$ 2,500	4.93 %
St. Rose Volunteer Fire Dept., Inc.	\$ 2,500	15.34 %

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(3) DUE FROM PARISH

Revenue receivable from St. Charles Parish consists of the following at December 31, 2017:

Sales taxes - collected		
August 2016 through December 2017	\$	134,812
Ad valorem millage for 2017		193,760
Fire insurance rebate for 2017		<u>9,314</u>
 Total receivables	 \$	 <u><u>337,886</u></u>

(4) CAPITAL ASSETS

	<u>Balance</u> 01/01/17	<u>Additions</u> 2017	<u>Retirements</u> 2017	<u>Balance</u> 12/31/17
Capital assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Construction in progress	<u>31,985</u>	<u>3,500</u>	<u>-</u>	<u>35,485</u>
 Total capital assets not being depreciated	 <u>55,985</u>	 <u>3,500</u>	 <u>-</u>	 <u>59,485</u>
Capital assets being depreciated:				
Fire protection vehicles	1,370,396	-	-	1,370,396
Equipment	343,853	56,501	-	400,354
Furniture and fixtures	4,470	-	-	4,470
Land improvements	24,863	-	-	24,863
Buildings	<u>412,048</u>	<u>4,127</u>	<u>-</u>	<u>416,175</u>
 Total capital assets being depreciated	 <u>2,155,630</u>	 <u>60,628</u>	 <u>-</u>	 <u>2,216,258</u>
Less: accumulated depreciation	<u>(1,481,377)</u>	<u>(113,062)</u>	<u>-</u>	<u>(1,594,439)</u>
 Total capital assets being depreciated, net	 <u>674,253</u>	 <u>(52,434)</u>	 <u>-</u>	 <u>621,819</u>
 Total capital assets, net	 <u>\$ 730,238</u>	 <u>\$ (48,934)</u>	 <u>\$ -</u>	 <u>\$ 681,304</u>

Depreciation expense for the year ended December 31, 2017 was \$113,062.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2017

(5) RISK MANAGEMENT

The Fire Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to firemen; and natural disasters. The Fire Department carries commercial insurance in amounts sufficient to insure itself against claims resulting from any of those risks.

(6) CONSTRUCTION COMMITMENT

During the year ended December 31, 2016, the Fire Department entered into a contract for architectural services related to a renovation project at its fire station. As of the December 31, 2017, \$42,735 was remaining on the contract. The Fire Department expects to sign a construction contract related to this renovation in the near future.

(7) RESTATEMENT OF FUND BALANCE

In the year ended December 31, 2016, sales tax remittances from St. Charles Parish that were not “available” as defined in Note 1 were recorded as revenues. Beginning fund balance was therefore restated by \$30,934 to properly reflect deferred inflows of resources for unavailable revenues as of December 31, 2016. There was no effect on net position or change in net position due to this restatement. Change in the general fund’s fund balance at December 31, 2016 is as follows:

Fund balance at December 31, 2016 - original	\$ 604,677
Less: change in deferred inflows	<u>(30,934)</u>
Fund balance at December 31, 2016 – restated	<u>\$ 573,743</u>

OTHER SUPPLEMENTARY INFORMATION

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Fire Chief Casey Hogan</u>
Reimbursements	\$ <u>304</u>
Total compensation, benefits, and other payments	\$ <u><u>304</u></u>



**INDEPENDENT AUDITORS' 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***

To the Board of Directors of
Bayou Gauche Volunteer Fire Department, Inc.
Des Allemands, Louisiana 70030

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Bayou Gauche Volunteer Fire Department, Inc. as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise Bayou Gauche Volunteer Fire Department, Inc.'s basic financial statements and have issued our report thereon dated June 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bayou Gauche Volunteer Fire Department, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bayou Gauche Volunteer Fire Department, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Bayou Gauche Volunteer Fire Department, Inc.'s internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as 2017-001 that we consider to be significant deficiencies.



To the Board of Directors of the
Bayou Gauche Volunteer Fire Department, Inc.
June 25, 2018

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bayou Gauche Volunteer Fire Department, Inc.'s financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-002.

Bayou Gauche Volunteer Fire Department, Inc.'s Response to Findings

Bayou Gauche Volunteer Fire Department, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Bayou Gauche Volunteer Fire Department, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 25, 2018
New Orleans, Louisiana

A handwritten signature in black ink that reads "Erickson Krentel".

Certified Public Accountants

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I SUMMARY OF AUDIT RESULTS

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of Bayou Gauche Volunteer Fire Department, Inc.
2. One significant deficiency in internal control relating to the audit of the financial statements is reported in the Independent Auditors' 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*.
3. One instance of noncompliance material to the financial statements of Bayou Gauche Volunteer Fire Department, Inc. was reported in the Independent Auditors' 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*.
4. A management letter was issued for the year ended December 31, 2017.

SECTION II FINANCIAL STATEMENTS FINDINGS

2017-001 Reporting Requirements to Parish

Criteria: The Fire Department's agreement with St. Charles Parish requires it to furnish the Parish with quarterly reports detailing the department's revenues and expenditures.

Condition: In 2016, the Fire Department became delinquent in filing its quarterly reports and did not catch up until March of 2018.

Effect: The Fire Department did not receive any funding from St. Charles Parish during the period in which its reports were delinquent.

Cause: The Fire Department did not keep records in a manner that would have allowed it to timely file these reports.

Recommendation: The Fire Department should work to ensure compliance with its agreement with St. Charles Parish so that it can receive its funding in a timely manner.

Views of Responsible Officials: Management believes that the issue has been corrected subsequent to year end. See Management's Corrective Action Plan for further information.

2017-002 Non-Compliance with Louisiana Law over the Use of Public Vehicles

Criteria: Article VII, Section 14 of the Louisiana Constitution states that, "Except as otherwise provided by this constitution, the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporation, public or private."

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

Condition: The Chief of the Fire Department has used a Fire Department vehicle for personal use.

Effect: The Fire Department is not in compliance with the Louisiana Constitution.

Cause: The Fire Department did not ensure compliance with this law.

Recommendation: The Fire Department should seek legal counsel regarding the legality of the use of the vehicle and ensure that its policies are in line with applicable laws.

Views of Responsible Officials: Management is reviewing the finding and will consult an attorney regarding the use of the vehicle. See Management's Corrective Action Plan for further information.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

SECTION I – FINANCIAL STATEMENTS FINDINGS

2016-001 Non-Compliance with Louisiana Law over the Use of Public Vehicles

It was discovered that the Chief of the Fire Department had used a Fire Department vehicle for personal use, and the Fire Department had no policy regarding personal use of its vehicles.

This issue has not been resolved and is repeated as a finding for 2017 as finding number 2017-002.

SECTION II – MANAGEMENT LETTER ITEMS

2016-002 Credit Card Policy

It was noted that the Department did not have a written credit card policy governing the documentation of credit card usage and the Treasurer did not document his review of credit card statements.

This issue has not been resolved and is repeated as a management letter item in 2017.

2016-003 Use of Accounting System

It was noted that the Fire Department was not utilizing its accounting software to its full capacity as bank reconciliations were being performed by hand and a statement of financial position was not being properly kept for payables and receivables.

This issue has been resolved through the Fire Department contracting with an outside CPA to maintain its general ledger.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS
DECEMBER 31, 2017

June 25, 2018

Louisiana Legislative Auditor

Bayou Gauche Volunteer Fire Department, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/2017 to 12/31/2017

The findings from the December 31, 2017 Schedule of Findings and Responses are discussed below. The findings are numbered consistently with the numbers assigned in the Schedule of Findings and Responses.

SECTION II FINANCIAL STATEMENT FINDINGS

2017-001 Reporting Requirements to Parish

Recommendation: The Fire Department should work to ensure compliance with its agreement with St. Charles Parish so that it can receive its funding in a timely manner.

Response: Management believes that the issue has been corrected in 2018 through the department contracting with an outside accountant to assist it in preparing and filing reports in a timely manner.

2017-002 Non-Compliance with Louisiana Law over the Use of Public Vehicles

Recommendation: The Fire Department should seek legal counsel regarding the legality of the use of the vehicle and to set policies regarding the use of its vehicles in accordance with any applicable Louisiana laws.

Response: Management is reviewing the recommendation and will seek further guidance from an attorney regarding the acceptable use of Fire Department vehicles.

If there are any questions regarding this plan, please call Fire Chief Casey Hogan at (985) 758-7405.

Sincerely,



Signature

Chief

Title



MANAGEMENT LETTER

To the Board of Directors of the
Bayou Gauche Volunteer Fire Department, Inc.
Des Allemands, Louisiana

In planning and performing our audit of the financial statements of Bayou Gauche Volunteer Fire Department, Inc. (the Fire Department), as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, we considered the Fire Department's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Department's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiencies. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated June 25, 2018, on the financial statements of Bayou Gauche Volunteer Fire Department, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Bayou Gauche Volunteer Fire Department, Inc. personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

2017-003 Credit Card Policy

During our audit, it was noted that the Fire Department did not have a written credit card policy governing the documentation of credit card usage. The Fire Department currently has controls in place over the usage of credit cards. We recommend that the Board of Directors enact a written credit card policy and ensure that all steps of the policy are properly documented.

2017-004 Review of Bank Reconciliations

We noted that the Fire Department has delegated the function of performing bank reconciliations to an outside accountant. We recommend that the reconciliations be reviewed by management of the Fire Department and that management sign them as evidence of that review.



ERICKSEN KRENTEL^{LLP}

CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

To the Board of Directors of the
Bayou Gauche Volunteer Fire Department, Inc.
June 25, 2018
Page 2

This communication is intended solely for the information and use of the board of directors and others within Bayou Gauche Volunteer Fire Department, Inc., and the Louisiana Legislative Auditor 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 letter is distributed by the Legislative Auditor as a public document.

June 25, 2018
New Orleans, Louisiana

Certified Public Accountants

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS
DECEMBER 31, 2017

June 25, 2018

Louisiana Legislative Auditor

Bayou Gauche Volunteer Fire Department, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2017.

Name and address of independent public accounting firm:

Ericksen Krentel LLP
4227 Canal Street
New Orleans, Louisiana 70119
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/2017 to 12/31/2017

The comments from the December 31, 2017 management letter are discussed below. The comments are numbered consistently with the numbers assigned in the management letter.

SECTION III MANAGEMENT LETTER ITEMS

2017-003 Credit Card Policy

Recommendation: We recommend that the Board of Directors enact a written credit card policy and ensure that all steps of the policy are properly documented on a monthly basis.

Response: Management agrees with the recommendation and has begun to implement a formal credit card policy and will ensure that all steps of the policy are properly documented on a monthly basis.

2017-004 Review of Bank Reconciliations

Recommendation: We recommend that bank reconciliations be reviewed by management of the Fire Department and that management sign them as evidence of that review.

Response: The Fire Department agrees with the recommendation and begin to review and approve bank reconciliations.

If there are any questions regarding this plan, please call Fire Chief Casey Hogan at (985) 758-7405.

Sincerely,



Signature

chief

Title