

ANNUAL FINANCIAL REPORT
KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
FOR THE YEAR ENDED
DECEMBER 31, 2018



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Killona Volunteer Fire Department, Inc.
Killona, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Killona Volunteer Fire Department, Inc., as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Killona 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 auditor's 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.

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



To the Board of Directors of the
Killona Volunteer Fire Department, Inc.
November 1, 2019

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 each major fund of Killona Volunteer Fire Department, Inc., as of December 31, 2018, 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 Killona 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 the
Killona Volunteer Fire Department, Inc.
November 1, 2019

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 November 1, 2019, on our consideration Killona 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 the effectiveness of Killona Volunteer Fire Department, Inc.'s 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 Killona Volunteer Fire Department, Inc.'s internal control over financial reporting and compliance.

November 1, 2019
New Orleans, Louisiana

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

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

This section of the Killona 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, 2018. 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 \$244,910.
2. The general revenues of the Fire Department were \$287,547.
3. The total expenses of the Fire Department were \$532,457.

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, 2018 AND 2017

	<u>ASSETS</u>	
	December 31, 2018	December 31, 2017
Current assets	\$ 222,152	\$ 383,120
Capital assets, net of accumulated depreciation	<u>870,451</u>	<u>932,070</u>
Total assets	<u>\$ 1,092,603</u>	<u>\$ 1,315,190</u>

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

LIABILITIES

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current liabilities	\$ 26,497	\$ 19,286
Total liabilities	<u>\$ 26,497</u>	<u>\$ 19,286</u>

NET POSITION

Invested in capital assets, net of related debt	\$ 870,451	\$ 932,070
Restricted for fire protection	<u>195,655</u>	<u>378,946</u>
Total net position	<u>\$ 1,066,106</u>	<u>\$ 1,311,016</u>

Total assets decreased by \$222,587 or 17% primarily due reduction in cash balances.

Total liabilities increased by \$7,211 or 37% primarily due to an increase in outstanding payables at year end.

Total net position decreased by \$244,910 or 19% as a result of operations.

SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
General revenues	\$ 287,547	\$ 264,705
Fire protection	<u>(532,457)</u>	<u>(367,903)</u>
Change in net position	<u>\$ (244,910)</u>	<u>\$ (103,198)</u>
Ending net position	<u>\$ 1,066,106</u>	<u>\$ 1,311,016</u>

The change in net position decreased by \$244,910 primarily due to an increase in expenses.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

CAPITAL ASSETS

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Land	\$ 30,000	\$ 30,000
Buildings and improvements	901,202	896,317
Equipment	669,852	652,606
Vehicles	<u>1,043,960</u>	<u>1,037,879</u>
 Total	 2,645,014	 2,616,802
Less: accumulated depreciation	<u>(1,774,563)</u>	<u>(1,684,732)</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 870,451</u>	 <u>\$ 932,070</u>

The major causes of changes in the capital asset accounts was current year depreciation expense.

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 St. Charles Parish. In the fourth quarter of 2018, the ad valorem tax was renewed by the citizens of St. Charles Parish, extending the appropriation through 2030. The Fire Department is working to replace older equipment and keep its current equipment running efficiently which could mean higher expenditures in the coming years.

The Fire Department has maintained its Class 4 Property Insurance Association of Louisiana fire rating which provides the citizens of Killona substantial reductions in property insurance. The Fire Department is scheduled to be rated again in 2019. The Fire Department is committed to keeping insurance rates low and providing the highest level of emergency response.

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. Kentrell Lockett, Killona Volunteer Fire Department, Inc., Killona, Louisiana 70087.

BASIC FINANCIAL STATEMENTS

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

ASSETS:

Cash	\$ 185,037
Due from Parish	15,148
Prepaid expenses	21,967
Capital assets, net of accumulated depreciation	<u>870,451</u>
Total assets	<u>1,092,603</u>

LIABILITIES:

Accounts payable	24,618
Accrued payroll payable	<u>1,879</u>
Total liabilities	<u>26,497</u>

NET POSITION:

Net investment in capital assets	870,451
Restricted for fire protection	<u>195,655</u>
Total net position	<u>\$ 1,066,106</u>

The accompanying notes are an integral part of this statement

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Capital Grants and Contributions</u>	
<u>Governmental activities:</u>			
Public safety - fire protection	\$ 532,457	\$ -	\$ (532,457)
		<u>General revenues:</u>	
			59,827
			214,663
			5,642
			<u>7,415</u>
		Total general revenues	<u>287,547</u>
			(244,910)
			<u>1,311,016</u>
			<u>\$ 1,066,106</u>

The accompanying notes are an integral part of this statement

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2018

ASSETS

Cash	\$ 185,037
Due from Parish	15,148
Prepaid expenses	<u>21,967</u>
 Total assets	 <u>\$ 222,152</u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 24,618
Accrued payroll payable	<u>1,879</u>
 Total liabilities	 <u>26,497</u>

FUND BALANCE:

Nonspendable: prepaid expenses	21,967
Restricted for fire protection	<u>173,688</u>
 Total fund balance	 <u>195,655</u>
 Total liabilities and fund balance	 <u>\$ 222,152</u>

The accompanying notes are an integral part of this statement

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

Fund balance - total governmental fund	\$	195,655
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		870,451
Net position of governmental activities	\$	1,066,106

The accompanying notes are an integral part of this statement

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

REVENUES:

Sales tax - 1/8 cent	\$ 59,827
Ad valorem tax	214,663
Fire insurance rebate	5,642
Other revenues	<u>7,415</u>
Total revenues	287,547

EXPENDITURES:

Current for fire protection:

Utilities:	
Electricity, water and gas	17,670
Telephone	8,843
Equipment:	
Maintenance	91,583
Fuel	9,470
Insurance	12,110
Buildings:	
Insurance	15,169
Maintenance	24,501
Supplies	10,345
Firefighting expenditures:	
Fire fighting supplies	47,657
Personnel insurance	6,059
Training	10,249
Miscellaneous:	
Accounting and auditing	7,590
Salaries, benefits, and related expenses	156,506
Office expenses	7,536
Meetings and other	7,997
Dues and subscriptions	<u>2,884</u>
Total current expenditures	436,169
Capital outlays	<u>34,669</u>
Total expenditures	<u>470,838</u>
Net change in fund balance	(183,291)
Fund balance - beginning	<u>378,946</u>
Fund balance - ending	<u><u>\$ 195,655</u></u>

The accompanying notes are an integral part of this statement

KILLONA VOLUNTEER FIRE DEPARTMENT, INC. **Exhibit "F"**
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, 2018

Net change in fund balance - governmental fund \$ (183,291)

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 \$96,288 exceeded
capital outlays of \$34,669 in the current period.

(61,619)

Change in net position of governmental activities

\$ (244,910)

The accompanying notes are an integral part of this statement

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Killona 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.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(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 cent 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.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(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 incurrance 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 2030. Each 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.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Revenues (continued)

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.

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, 2018, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	<u>Bank Balances Category</u>			<u>Bank Balance</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Cash	\$ 185,764	\$ -	\$ -	\$ 185,764

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Capital assets are depreciated using the straight-line method for 5 to 15 years for equipment and vehicles and 10 to 40 years for fire stations and other buildings.

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.
- 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.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

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.

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, 2018 revealed no tax positions that would have a material impact on the financial statements. The 2015 through 2018 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.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Date of Management Review

Management has evaluated subsequent events through November 1, 2019, 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.

As of December 31, 2018, the sales tax is distributed on the following basis:

	<u>Monthly Basis</u>	<u>Remaining Funds 1/1/18-12/31/18</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 %

(3) DUE FROM PARISH

Revenue receivable at December 31, 2018 consists of the Fire Department's share of the 1/8th percent sales tax for the month of November 2018, collected on or before December 20, 2018 by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2019.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 2018.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(4) CAPITAL ASSETS

	<u>Balance</u> <u>01/01/18</u>	<u>Additions</u> <u>2018</u>	<u>Retirements</u> <u>2018</u>	<u>Balance</u> <u>12/31/18</u>
Capital assets not being depreciated:				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Total capital assets not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Capital assets being depreciated:				
Fire protection vehicles	1,037,879	6,081	-	1,043,960
Equipment	652,606	23,703	(6,457)	669,852
Land improvements	16,500	-	-	16,500
Buildings	<u>879,817</u>	<u>4,885</u>	<u>-</u>	<u>884,702</u>
Total capital assets being depreciated	<u>2,586,802</u>	<u>34,669</u>	<u>(6,457)</u>	<u>2,615,014</u>
Less: accumulated depreciation	<u>(1,684,732)</u>	<u>(96,288)</u>	<u>6,457</u>	<u>(1,774,563)</u>
Total capital assets being depreciated, net	<u>902,070</u>	<u>(61,619)</u>	<u>-</u>	<u>840,451</u>
Total capital assets, net	<u>\$ 932,070</u>	<u>\$ (61,619)</u>	<u>\$ -</u>	<u>\$ 870,451</u>

Depreciation expense for the year ended December 31, 2018 was \$96,288.

Non-Cash Investing Activity

In 2018, the fire department disposed of two assets by way of abandonment. Total cost of assets disposed were \$6,457 with accumulated depreciation of \$6,457 and a net book value of zero.

(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.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2018

(6) RETIREMENT PLAN

Killona Volunteer Fire Department, Inc. maintains a defined contribution profit sharing plan, the Killona Fire Department 401(k) Profit Sharing Plan and Trust, for the benefit of the employees of the Fire Department. Employees must be 21 years of age and have one year of service to participate. Participants are immediately 100% vested in all elective deferrals, matching contributions, and profit sharing contributions. Participants can contribute up to \$18,000, with an additional catch-up amount of \$6,000. Employee contributions for the year ended December 31, 2018 was \$10,336. The Fire Department may make a profit sharing contribution at its discretion. The Fire Department currently matches 10% of the employees' annual gross salary. Employer contributions for the year ended December 31, 2018 totaled \$10,240. The Plan has no forfeitures for the year ended December 31, 2018.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Fire Chief Kentrell Lockett</u>
No compensation, benefits, or other payments were received.	\$ _____ -
Total compensation, benefits, and other payments	<u>\$ _____ -</u>



**INDEPENDENT AUDITOR'S 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 the
Killona Volunteer Fire Department, Inc.
Killona, Louisiana

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 Killona Volunteer Fire Department, Inc. as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Killona Volunteer Fire Department, Inc.'s basic financial statements and have issued our report thereon dated November 1, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Killona 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 Killona Volunteer Fire Department, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Killona 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-004 that we consider to be material weakness.



To the Board of Directors of the
Killona Volunteer Fire Department, Inc.
November 1, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Killona 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-002, 2018-003, and 2018-005.

Killona Volunteer Fire Department, Inc.'s Response to Findings

Killona Volunteer Fire Department, Inc.'s response to findings identified in our audit is described in the accompanying schedule of findings and responses. Killona Volunteer Fire Department, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

November 1, 2019
New Orleans, Louisiana

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

Certified Public Accountants

OTHER SUPPLEMENTARY INFORMATION

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I SUMMARY OF AUDIT RESULTS

1. The Auditor's report expresses an unmodified opinion on the financial statements of Killona Volunteer Fire Department, Inc.
2. Two material weakness in internal control relating to the audit of the financial statements is reported in the Independent Auditor's 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. Three instances of noncompliance material to the financial statements of Killona Volunteer Fire Department, Inc. were reported in the Independent Auditor's 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, 2018.

SECTION II FINANCIAL STATEMENTS FINDINGS

2018-001 Inadequate Segregation of Duties

Criteria: Safeguarding of assets requires adequate segregation of duties in an effective internal control structure. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives regarding cash receipts, cash disbursements, and bank deposits.

Effect: Intentional or unintentional errors could be made and not be detected.

Cause: The Fire Department is small and therefore it is not feasible to maintain an adequate segregation of duties with regards to cash receipts among accounting personnel.

Recommendation: The Board of Directors should be involved in the day-to-day financial affairs of the Fire Department to provide oversight and independent review functions. A good system of internal control provides for a proper segregation of the accounting functions. The Fire Department does not have the proper segregation of duties over cash receipts, cash disbursements, or bank deposits. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. We recommend that management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Views of Responsible Officials: Management agrees with the finding and will implement policies and procedures to mitigate the lack of segregation of duties. See Management's Corrective Action Plan for further information.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-002 Non-Compliance with Louisiana's Financial Reporting Laws

Criteria: The Fire Department is required to provide an annual financial report to the Louisiana Legislative Auditor no later than six months after its year end.

Condition: The Fire Department failed to comply with these laws, submitting the required report approximately five months after the required deadline.

Effect: The Fire Department is not in compliance with Louisiana Revised Statutes 24:513 and 24:514.

Cause: The Fire Department did not have the proper procedures in place to ensure compliance with these laws.

Recommendation: The Board of Directors should put policies and procedures in place to ensure that required annual reports are filed in a timely manner.

Views of Responsible Officials: Management agrees with the finding and will implement procedures to become compliant with Louisiana Revised Statutes 24:513 and 24:514. See Management's Corrective Action Plan for further information.

2018-003 Non-Compliance with Louisiana Law over the Notice of a Fraud Hotline

Criteria: The Louisiana Revised Statute 24:523.1 states that a notice prepared by the Louisiana Legislative Auditor (LLA) containing information for the reporting of any misappropriation, fraud, waste, or abuse of public funds should be posted in a conspicuous place on the Fire Department's premises and that a link to the LLA hotline should be posted on the website of the Fire Department.

Condition: The Fire Department did not have the notice posted on its premises.

Effect: The Fire Department is not in compliance with the Louisiana Revised Statute 24:523.1

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

Recommendation: The Fire Department should post the notice on its premises in a conspicuous place.

Views of Responsible Officials: Management agrees with the finding and will implement procedures to become compliant with Louisiana Revised Statute 24:523.1. See Management's Corrective Action Plan for further information.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-004 Lack of General Ledger

Criteria: Accounts should be classified by category and maintained in a General Ledger for proper financial statement presentation.

Condition: The Fire Department is not currently utilizing a General Ledger in producing their financial reports.

Effect: The Fire Department could have more efficient and effective financial reporting.

Cause: Bank statements are used to compile transaction history without reconciling month to month activity or note a proper running balance.

Recommendation: The Fire Department should maintain a General Ledger and proper chart of accounts which caters to the Fire Department's goals of having efficient and reliable financial reporting.

Views of Responsible Officials: Management agrees with the finding and will implement procedures to produce efficient and reliable financial reports. See Management's Corrective Action Plan for further information.

2018-005 Commingling of Public and Private Funds

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."

Condition: During our audit, we noted certain insignificant items were purchased for the Fire Department's private fund on the Fire Department's credit card which is funded with public funds. The amount was later reimbursed to the public funds.

Effect: This commingling of funds is construed as a loan under Article VII of the Louisiana Constitution.

Cause: The Fire Department did not retain the separation of its public and private funds.

Recommendation: The Fire Department should strengthen its policies and procedures related to the use of credit cards to ensure that no private expenses are paid from public funds.

Views of Responsible Officials: Management agrees with the recommendation and will work to implement the recommendation. See Management's Corrective Action Plan for further information.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I – FINANCIAL STATEMENTS FINDINGS

2017-001 Inadequate Segregation of Duties

The size of the Killona 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.

This issue has not been resolved and repeated as a finding for 2018 as finding number 2018-001.

2017-002 Non-Compliance with Louisiana's Financial Reporting Laws

The Fire Department failed to comply with these laws, submitting this required report to the state approximately six months after the required deadline. Under Louisiana's financial reporting laws (R.S. 24:513 and 24:514), Killona Volunteer Fire Department, Inc. is required to provide an annual financial report to the Louisiana Legislative Auditor's Office no later than six months after its year end.

This issue has not been resolved and repeated as a finding for 2018 as finding number 2018-002.

2017-003 Non-Compliance with IRS Filing Requirements

The Internal Revenue Service requires all nonprofit organizations to report fiscal and other information annually. This return is due on the 15th day of the 5th month after the end of the organization's fiscal year. A six month extension is available.

The Fire Department failed to comply with this requirement, filing the annual return past the due date, with extensions.

This issue has been resolved with the subsequent filing on June 28, 2019.

2017-004 Non-Compliance with IRS Exemption Statutes and Corporate Law

The Internal Revenue Service as well as Louisiana Corporate Law requires all nonprofit organizations to record and maintain minutes of its board meetings.

Being unable to produce the board minutes to any of the meetings during the year, the Fire Department failed to comply with this requirement.

This issue has been resolved in 2018 as minutes were maintained.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

2017-005 Non-Compliance with Louisiana Law over the Notice of a Fraud Hotline

It was noted that the Fire Department was not in compliance with Louisiana Revised Statute 24:523.1 which states that a notice prepared by the Louisiana Legislative Auditor (LLA) containing information for the reporting of any misappropriation, fraud, waste, or abuse of public funds should be posted in a conspicuous place on the Fire Department's premises and that a link to the LLA hotline should be posted on the website of the Fire Department.

This issue has been partially resolved as the notification was posted in 2019 and is repeated as a finding for 2018 as finding number 2018-003.

SECTION II – MANAGEMENT LETTER ITEMS

There were no management letter items issued for year ended December 31, 2017.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2018

November 1, 2019

Louisiana Legislative Auditor

Killona Volunteer Fire Department, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2018.

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: 01/01/2018 to 12/31/2018

The findings from the December 31, 2018 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

2018-001 Inadequate Segregation of Duties

Recommendation: The Board of Directors should be involved in the day-to-day financial affairs of the Fire Department to provide oversight and independent review functions. A good system of internal control provides for a proper segregation of the accounting functions. The Fire Department does not have the proper segregation of duties over cash receipts, cash disbursements, or bank deposits. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. We recommend that management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk of errors or fraud.

Response: Management agrees with the finding and will implement policies and procedures to mitigate the lack of segregation of duties, such as approval of bank reconciliations and dual signatures on checks.

2018-002 Non-Compliance with Louisiana's Financial Reporting Laws

Recommendation: The Board of Directors should put policies and procedures in place to ensure that required annual reports are filed in a timely manner.

Response: Management agrees with the finding and will implement procedures to become compliant with Louisiana Revised Statutes 24:513 and 24:514.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

2018-003 Non-Compliance with Louisiana Law over the Notice of a Fraud Hotline

Recommendation: The Fire Department should post the notice on its premises in a conspicuous place.

Response: Management agrees with the finding and will implement procedures to become compliant with Louisiana Revised Statute 24:523.1.

2018-004 Lack of General Ledger

Recommendation: The Fire Department should obtain training and better utilize a general ledger with the current accounting software or search for another software package.

Response: The Fire Department agrees with the recommendation and will investigate its use of the accounting system in connection with its goal of keeping reliable financial records.

2018-005 Commingling of Public and Private Funds

Recommendation: The Fire Department should strengthen its policies and procedures related to the use of credit cards to ensure that no private expenses are paid for from public funds.

Response: Management agrees with our recommendation and will ensure that expenses that are for fire protection will be paid for using the Fire Department's credit cards.

If there are any questions regarding this plan, please call Mr. Kentrell Lockett at (504) 563-5075.

Sincerely,

Signature

Title