

ANNUAL FINANCIAL REPORT
NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Norco Area Volunteer Fire Department, Inc., as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Norco Area 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
Norco Area Volunteer Fire Department, Inc.
June 22, 2020

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 Norco Area Volunteer Fire Department, Inc., as of December 31, 2019, 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 to 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 Norco Area 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.

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.

To the Board of Directors of the
Norco Area Volunteer Fire Department, Inc.
June 22, 2020

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, on our consideration of Norco Area 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 solely 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 Norco Area 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 Norco Area Volunteer Fire Department, Inc.'s internal control over financial reporting and compliance.

June 22, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NORCO, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

This section of the Norco Area Volunteer Fire Department, Inc. (the Fire Department) annual financial report presents management's analysis of the Fire Department's financial performance for the year ended December 31, 2019. 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 \$4,245.
2. The general revenues of the Fire Department were \$497,833.
3. The total expenses of the Fire Department were \$502,078.

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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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, 2019 AND 2018

	<u>ASSETS</u>	
	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Current assets	\$ 423,557	\$ 281,805
Capital assets, net of accumulated depreciation	<u>652,039</u>	<u>790,242</u>
Total assets	<u>\$ 1,075,596</u>	<u>\$ 1,072,047</u>

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>LIABILITIES</u>		<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Current liabilities		\$	16,027	\$ 8,233
Total liabilities		\$	<u>16,027</u>	\$ <u>8,233</u>

	<u>NET POSITION</u>			
Net investment in capital assets		\$	652,039	\$ 790,242
Restricted for fire protection			<u>407,530</u>	<u>273,572</u>
Total net position		\$	<u>1,059,569</u>	\$ <u>1,063,814</u>

Total assets increased by \$3,549 (0.3%) as a result of operations.

Total liabilities increased by \$7,794 (95%) primarily due to the timing of outstanding payables at the end of 2019.

Total net position decreased by \$4,245 (0.4%) as a result of operations.

SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

			<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
General revenues		\$	497,833	\$ 464,553
Fire protection			<u>(502,078)</u>	<u>(415,257)</u>
Change in net position		\$	<u>(4,245)</u>	\$ <u>49,296</u>
Ending net position		\$	<u>1,059,569</u>	\$ <u>1,063,814</u>

The change in net position in 2019 decreased from the prior year by \$53,541. This is primarily due to increases in firefighting supplies and equipment repairs during 2019.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

CAPITAL ASSETS

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

	<u>December 31,</u> 2019	<u>December 31,</u> 2018
Land	\$ 99,287	\$ 99,287
Buildings and improvements	1,447,232	1,434,531
Equipment	1,489,631	1,480,488
Vehicles	<u>1,859,900</u>	<u>1,859,900</u>
 Total	 4,896,050	 4,874,206
Less: accumulated depreciation	<u>(4,244,011)</u>	<u>(4,083,964)</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 652,039</u>	 <u>\$ 790,242</u>

The major additions to capital assets during 2019 consisted of various building improvements and firefighting equipment.

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 expects its maintenance and other costs to remain consistent in the future.

The Fire Department currently has a Class 4 fire rating and is committed to keeping insurance rates low and providing the highest level of emergency response. The Fire Department is scheduled to be rated again in 2020.

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including the State of Louisiana, declared a state of emergency. There has been no immediate impact to the Fire Department's operations, but it is anticipated that the effects of the pandemic will last for some time. Future potential impacts may include disruptions in the ability of citizens to continue making tax payments as a result of job loss or other pandemic related issues or declines in sales tax revenues as a result of "Stay at Home" orders.

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 Brandon Smith, Norco Area Volunteer Fire Department, Inc., P.O. Box 321, Norco, Louisiana 70079.

BASIC FINANCIAL STATEMENTS

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

ASSETS:

Cash	\$ 370,117
Due from St. Charles Parish	18,656
Prepaid expenses	34,784
Capital assets, net of accumulated depreciation	<u>652,039</u>
 Total assets	 <u>1,075,596</u>

LIABILITIES:

Accounts payable	15,021
Accrued payroll	<u>\$ 1,006</u>
 Total liabilities	 <u>16,027</u>

NET POSITION:

Net investment in capital assets	652,039
Restricted for fire protection	<u>407,530</u>
 Total net position	 <u>\$ 1,059,569</u>

The accompanying notes are an integral part of this statement

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

FUNCTIONS/PROGRAMS**GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ <u>502,078</u>
Net (expense) from governmental activities	<u>(502,078)</u>

GENERAL REVENUES:

Sales tax - 1/8 percent	229,110
Ad valorem tax	232,080
Fire insurance rebate	20,183
Other revenues	<u>16,460</u>
Total general revenues	<u>497,833</u>
Change in net position	(4,245)
Net position - beginning	<u>1,063,814</u>
Net position - ending	<u>\$ 1,059,569</u>

The accompanying notes are an integral part of this statement

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
BALANCE SHEET
AS OF DECEMBER 31, 2019

ASSETS

Cash	\$ 370,117
Due from St. Charles Parish	18,656
Prepaid expenses	<u>34,784</u>
 Total assets	 <u><u>\$ 423,557</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES:

Accounts payable	\$ 15,021
Accrued payroll	<u>1,006</u>
 Total liabilities	 <u>16,027</u>

FUND BALANCE:

Nonspendable: prepaid expenses	34,784
Restricted for fire protection	<u>372,746</u>
 Total fund balance	 <u>407,530</u>
 Total liabilities and fund balance	 <u><u>\$ 423,557</u></u>

The accompanying notes are an integral part of this statement

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2019

Fund balance - total governmental fund	\$	407,530
<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.		652,039
Net position of governmental activities	\$	1,059,569

The accompanying notes are an integral part of this statement

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES:

Sales tax - 1/8 percent	\$ 229,110
Ad valorem tax	232,080
Fire insurance rebate	20,183
Other revenues	<u>16,460</u>
Total revenues	<u>497,833</u>

EXPENDITURES:

Current for fire protection:

Utilities:

Electricity, gas, and water	13,800
Telephone and internet	8,819

Equipment:

Maintenance	72,366
Fuel	5,431
Insurance	23,929

Buildings:

Insurance	19,259
Maintenance	28,410

Personnel:

Training	9,585
Insurance	5,640
Salaries	32,036
Payroll taxes	2,548

Firefighting expenditures:

Fire fighting supplies	50,129
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Miscellaneous:

Professional services	17,600
Office expenses	10,380
Meetings and other	36,602
Dues and subscriptions	<u>5,497</u>

Total current expenditures	342,031
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Capital outlays	21,844
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Total expenditures	<u>363,875</u>
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Net change in fund balance	133,958
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Fund balance - beginning	<u>273,572</u>
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Fund balance - ending	<u>\$ 407,530</u>
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The accompanying notes are an integral part of this statement

NORCO AREA 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, 2019

Net change in fund balance - governmental fund	\$	133,958
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Amounts reported for governmental activities in the Statement of Activities are different because:

<p>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 \$160,047 exceeded capital outlays of \$21,844 in the current period.</p>		<u>(138,203)</u>
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Change in net position of governmental activities	\$	<u><u>(4,245)</u></u>
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NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Norco Area 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

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.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basic Financial Statements - Government-Wide Financial Statements (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

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.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(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 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.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(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, 2019, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	Bank Balances Category			
	1	2	3	Bank Balance
Cash	\$ 250,000	\$ 120,117	\$ -	\$ 370,117

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(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. All capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
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.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (Continued)

- 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.

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.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(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, 2019 revealed no tax positions that would have a material impact on the financial statements. The 2016 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.

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 June 22, 2020, 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 Firemen's Association, Inc.

As of December 31, 2019, the sales tax is distributed on the following basis:

	<u>Monthly Basis</u>	<u>Remaining Funds 1/1/19-12/31/19</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 %

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(3) DUE FROM ST. CHARLES PARISH

Revenue receivable at December 31, 2019 consists of the Fire Department's share of the 1/8th percent sales tax for the month of November 2019, collected on or before December 20, 2019, by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2020.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 2019.

(4) CAPITAL ASSETS

	<u>Balance</u> <u>01/01/19</u>	<u>Additions</u> <u>2019</u>	<u>Retirements</u> <u>2019</u>	<u>Balance</u> <u>12/31/19</u>
Capital assets not being depreciated:				
Land	\$ <u>99,287</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>99,287</u>
Total capital assets not being depreciated	<u>99,287</u>	<u>-</u>	<u>-</u>	<u>99,287</u>
Capital assets being depreciated:				
Fire protection vehicles	1,859,900	-	-	1,859,900
Equipment	1,480,488	9,143	-	1,489,631
Buildings	<u>1,434,531</u>	<u>12,701</u>	<u>-</u>	<u>1,447,232</u>
Total capital assets being depreciated	<u>4,774,919</u>	<u>21,844</u>	<u>-</u>	<u>4,796,763</u>
Less: accumulated depreciation	<u>(4,083,964)</u>	<u>(160,047)</u>	<u>-</u>	<u>(4,244,011)</u>
Total capital assets being depreciated, net	<u>690,955</u>	<u>(138,203)</u>	<u>-</u>	<u>552,752</u>
Total capital assets, net	<u>\$ 790,242</u>	<u>\$ (138,203)</u>	<u>\$ -</u>	<u>\$ 652,039</u>

Depreciation expense for the year ended December 31, 2019 was \$160,047.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2019

(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) COMMITMENTS

On September 9, 2019, the Fire Department entered into a contract to purchase a customized apparatus for \$249,900. This amount is due upon delivery or pick up of the completed vehicle, which has not occurred as of the report date. The Fire Department expects to pay for the apparatus using long-term debt.

(7) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 87, "Leases." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The GASB issued Statement No.95 "Postponement of the Effective Dates of Certain Authoritative Guidance" which has deferred the effective date of Statement No. 87 and Implementation Guide No. 2019-3 by 18 months to fiscal years beginning after June 15, 2021. The Fire Department plans to adopt these Statements as applicable by the effective date.

(8) SUBSEQUENT EVENT

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including the State of Louisiana, have declared a state of emergency and "Stay at Home" orders. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Fire Department's operations. Future potential impacts may include disruptions in the ability of citizens to continue making tax payments as a result of job loss or other pandemic related issues or declines in sales tax revenues as a result of "Stay at Home" orders.

OTHER SUPPLEMENTARY INFORMATION

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Fire Chief Kenny Wenning Jr.</u>
No compensation, benefits, and other payments in 2019	\$ -
Total compensation, benefits, and other payments	<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
Norco Area Volunteer Fire Department, Inc.
Norco, 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 Norco Area Volunteer Fire Department, Inc. as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Norco Area Volunteer Fire Department, Inc.'s basic financial statements and have issued our report thereon dated June 22, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Norco Area 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 Norco Area Volunteer Fire Department, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Norco Area 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. 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.



To the Board of Directors of the
Norco Area Volunteer Fire Department, Inc.
June 22, 2020

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Norco Area 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.

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 22, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP
Certified Public Accountants

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I SUMMARY OF AUDITOR'S REPORTS

1. The Independent Auditors' Report expresses an unmodified opinion on the financial statements of Norco Area Volunteer Fire Department, Inc.
2. No significant deficiencies or material weaknesses in internal control relating to the audit of the financial statements are 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. No instances of noncompliance material to the financial statements of Norco Area Volunteer Fire Department, Inc., were 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, 2019.

SECTION II FINANCIAL STATEMENT FINDINGS

There are no financial statements findings for the year ended December 31, 2019.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SECTION I FINANCIAL STATEMENTS FINDINGS

2018-001 Non-Compliance with Louisiana Laws Governing Public Funds

Condition: We noted that the Fire Department was not in compliance with Louisiana Revised Statute 39:1212, which requires public funds of local depositing authorities to be deposited daily whenever practical. The Department often took weeks to deposit sales tax collection and ad valorem checks from St. Charles Parish.

Status: This issue has been resolved and is not considered a financial statement finding in 2019.

SECTION II – MANAGEMENT LETTER ITEMS

2018-002 Develop and Distribute an Employee Manual

Condition: We noted that the Fire Department had not yet developed a personnel manual. We recommend that an employee or personnel manual be developed and distributed to employees in either a hard-copy form or electronically.

Status: This issue has not been resolved and is repeated as management letter comment 2019-001.

2018-003 Credit Card Approval

Condition: We noted that the Fire Department did review the credit card statements but lacked the treasurer's signature approval of the statements. We recommend that the Department begin to have a person who does not hold or use the credit cards to review credit card statements and sign off on them.

Status: This issue has not been resolved and is repeated as management letter comment 2019-002.



MANAGEMENT LETTER

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

In planning and performing our audit of the financial statements of Norco Area Volunteer Fire Department, Inc. (the Fire Department), as of and for the year ended December 31, 2019, 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 matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated June 22, 2020, on the financial statements of Norco Area Volunteer Fire Department, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Norco Area 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.

2019-001 Develop and Distribute an Employee Manual

During our audit, it was noted that the Fire Department began paying employees in 2017. Through our discussions with management, it was noted that the Fire Department had not yet developed a personnel manual. We recommend that an employee or personnel manual be developed and distributed to employees in either a hard-copy form or electronically. A comprehensive and up-to-date personnel manual can help communicate and encourage adherence to the Fire Department's policies; prevent possible confusion or misunderstandings among personnel; and provide a measure of liability protection to the Fire Department in case of employee legal challenges of the Fire Department's actions. Some topics that should be covered in an employee manual include the following:

- 1) The Fire Department's mission, core values, and organization.
- 2) Business hours, work schedules, overtime policies, and time keeping procedures.
- 3) Employee classifications, salary and overtime rates, and pay dates.
- 4) Holiday, vacation, sick leave, and other attendance and absences policies.
- 5) Promotion policies.
- 6) Travel and expense reimbursement.
- 7) Employee benefits programs, including pension, retirement, medical, disability, insurance, and other plans, as applicable.



To the Board of Directors of the
Norco Area Volunteer Fire Department, Inc.
June 22, 2020
Page 2

- 8) Employee conduct, including policies on conflict of interests, appropriate use of Company assets, harassment, substance abuse, disciplinary actions, etc.
- 9) Policy on appropriate use, and Fire Department monitoring of, computers, software, and internet resources.
- 10) Employment separation and termination procedures.

We recommend that the Fire Department have its legal counsel review a draft of the handbook before it is distributed to employees.

2019-002 Credit Card Approval

Currently, the treasurer reviews credit card statements but does not document his approval of the statements. We recommend that the Department begin to have a person who does not hold or use the credit cards review credit card statements and sign off on them. Doing so would take little additional time and might even prevent time from being wasted by inadvertent review of statements that had already been reviewed.

2019-003 Reconciliation of Bill.com Activity

During our audit, it was noted that the bill.com and account payable activity were not being properly offset within the Fire Department's accounting system. This could lead to invoices being paid multiple times. We recommend that the Fire Department reconcile the Bill.com activity, the accounts payable subsidiary ledger, and operating account cash activity on a monthly basis

This communication is intended solely for the information and use of the board of directors and others within Norco Area 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 22, 2020
New Orleans, Louisiana

Ericksen Krentel, LLP

Certified Public Accountants

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS – MANAGEMENT LETTER ITEMS
FOR THE YEAR ENDED DECEMBER 31, 2019

June 22, 2020

Louisiana Legislative Auditor

Norco Area Volunteer Fire Department, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2019.

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: 01/01/2019 to 12/31/2019

The comment from the December 31, 2019 management letter is discussed below. The comment is numbered consistently with the number assigned in the management letter.

SECTION III MANAGEMENT LETTER ITEMS

2019-001 Develop and Distribute an Employee Manual

Recommendation: We recommend that an employee or personnel manual be developed and distributed to employees in either a hard-copy form or electronically.

Response: The Fire Department agrees with the recommendation and will look into developing and distributing a comprehensive employee manual.

2019-002 Credit Card Approval

Recommendation: We recommend that the Department begin to have a person who does not hold or use the credit cards review credit card statements and sign off on them.

Response: The Fire Department agrees with the recommendation and will look into developing a process to document approval of credit card statements.

2019-003 Reconciliation of Bill.com Activity


Recommendation: We recommend that the Department reconcile the Bill.com activity, the accounts payable subsidiary ledger, and operating account cash activity on a monthly basis.

Response: The Fire Department agrees with the recommendation and will look into developing a process to improve the monthly reconciliations of the Bill.com account.

NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS – MANAGEMENT LETTER ITEMS
FOR THE YEAR ENDED DECEMBER 31, 2019

If there are any questions regarding this plan, please call Brandon Smith, President, at (985) 764-9621.

Sincerely,



Signature



Title