

ANNUAL FINANCIAL REPORT
ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
FOR THE YEAR ENDED
DECEMBER 31, 2016



ERICKSEN KRENTEL & LAPORTE^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
St. Rose Volunteer Fire Department, Inc.
St. Rose, Louisiana 70087

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Rose Volunteer Fire Department, Inc., as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the St. Rose 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.



To the Board of Directors of
St. Rose Volunteer Fire Department, Inc.
June 22, 2017

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of St. Rose Volunteer Fire Department, Inc., as of December 31, 2016, 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 St. Rose 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
St. Rose Volunteer Fire Department, Inc.
June 22, 2017

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2017, on our consideration of St. Rose Volunteer Fire Department, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering St. Rose Volunteer Fire Department, Inc.'s internal control over financial reporting and compliance.

June 22, 2017
New Orleans, Louisiana

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
ST. ROSE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

This section of the St. Rose 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, 2016. 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 \$37,700.
2. The general revenues of the Fire Department were \$510,143.
3. The total expenses of the Fire Department were \$547,843.

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, 2016 AND 2015

| | <u>ASSETS</u> | |
|---|----------------------|----------------------|
| | December 31, 2016 | December 31, 2015 |
| Current assets | \$ 258,284 | \$ 239,802 |
| Capital assets, net of accumulated depreciation | <u>854,616</u> | <u>1,000,017</u> |
| Total assets | <u>\$ 1,112,900</u> | <u>\$ 1,239,819</u> |

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
ST. ROSE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

LIABILITIES

| | <u>December 31,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|-----------------------|------------------------------------|------------------------------------|
| Current liabilities | \$ 75,576 | \$ 90,348 |
| Long-term liabilities | <u>303,749</u> | <u>378,196</u> |
| Total liabilities | <u>\$ 379,325</u> | <u>\$ 468,544</u> |

NET POSITION

| | | |
|--|-------------------|-------------------|
| Invested in capital assets, net of related debt | \$ 475,291 | \$ 533,375 |
| Restricted for fire protection | <u>258,284</u> | <u>237,900</u> |
| Total net position | <u>\$ 733,575</u> | <u>\$ 771,275</u> |

Total assets decreased by \$126,919 (10%). This decrease was primarily due to non-cash depreciation charges in 2016.

Total liabilities decreased by \$89,219 (19%) primarily due to principal payments made on long-term debt.

Total net position decreased by \$37,700 (5%) as a result of operations.

**SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

| | <u>December 31,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|------------------------|------------------------------------|------------------------------------|
| General revenues | \$ 510,143 | \$ 557,756 |
| Fire protection | <u>(547,843)</u> | <u>(601,379)</u> |
| Change in net position | <u>\$ (37,700)</u> | <u>\$ (43,623)</u> |
| Ending net position | <u>\$ 733,575</u> | <u>\$ 771,275</u> |

The change in net position increased by \$5,923 (14%). This is a result of decreases in revenues being offset by decreases in expenses, particularly salaries.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
ST. ROSE, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

CAPITAL ASSETS

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

| | <u>December 31,</u> <u>2016</u> | <u>December 31,</u> <u>2015</u> |
|--|------------------------------------|------------------------------------|
| Land | \$ 123,857 | \$ 123,857 |
| Buildings and improvements | 1,084,681 | 1,084,681 |
| Equipment | 1,150,104 | 1,249,919 |
| Vehicles | <u>1,044.611</u> | <u>1,044.611</u> |
| Total | 3,403,253 | 3,503,068 |
| Less: accumulated depreciation | <u>(2,548,637)</u> | <u>(2,503.051)</u> |
| Total capital assets, net of accumulated depreciation | <u>\$ 854,616</u> | <u>\$ 1,000,017</u> |

The major causes of changes in the capital asset accounts were depreciation expense adjustments and the disposal of fully depreciated firefighting equipment.

LONG-TERM DEBT

At December 31, 2016, the Fire Department has \$378,197 in long-term debt which consisted of three notes payable to Capital One. Long-term debt decreased by \$87,112 from the prior year due to scheduled debt payments.

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. The Fire Department's fleet is aging and the Fire Department expects its costs in maintenance and fire supplies to continue to rise. The Fire Department will also need to replace certain long lived equipment in 2017.

The Fire Department recently was able to move to a Class 3 fire rating which provides the citizens of St. Rose substantial reductions in property insurance. The Fire Department is scheduled to be rated again in 2020. 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. Jeffrey Fabacher, St. Rose Volunteer Fire Department, Inc., P.O. Box 399, St. Rose, Louisiana 70087.

BASIC FINANCIAL STATEMENTS

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2016

ASSETS:

| | |
|---|----------------------|
| Cash | \$ 201,237 |
| Due from Parish | 24,212 |
| Other receivables | 4,747 |
| Prepaid expenses | 28,088 |
| Capital assets, net of accumulated depreciation | <u>854,616</u> |
| Total assets | <u>1,112,900</u> |

LIABILITIES:

| | |
|--------------------------|--------------------|
| Accrued interest payable | 1,128 |
| Notes payable: | |
| Due within one year | 74,448 |
| Due after one year | <u>303,749</u> |
| Total liabilities | <u>379,325</u> |

NET POSITION:

| | |
|----------------------------------|-----------------------|
| Net investment in capital assets | 475,291 |
| Restricted for fire protection | <u>258,284</u> |
| Total net position | <u>\$ 733,575</u> |

The accompanying notes are an integral part of this statement

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

FUNCTIONS/PROGRAMS**GOVERNMENTAL ACTIVITIES:**

| | |
|--|-------------------|
| Public safety - fire protection | \$ <u>547,843</u> |
| Net (expense) from governmental activities | <u>(547,843)</u> |

GENERAL REVENUES:

| | |
|--------------------------|--------------------------|
| Sales tax - 1/8 cent | 270,130 |
| Ad valorem tax | 194,158 |
| Fire insurance rebate | 32,463 |
| State supplemental pay | 12,000 |
| Other revenues | <u>1,392</u> |
| Total general revenues | <u>510,143</u> |
| Change in net position | (37,700) |
| Net position - beginning | <u>771,275</u> |
| Net position - ending | <u>\$ <u>733,575</u></u> |

The accompanying notes are an integral part of this statement

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
BALANCE SHEET
DECEMBER 31, 2016

ASSETS

| | |
|------------------|-----------------------|
| Cash | \$ 201,237 |
| Due from Parish | 24,212 |
| Other receivable | 4,747 |
| Prepaid expenses | <u>28,088</u> |
| Total assets | <u>\$ 258,284</u> |

FUND BALANCE

| | |
|--------------------------------|-----------------------|
| Nonspendable: prepaid expenses | 28,088 |
| Restricted for fire protection | <u>230,196</u> |
| Total fund balance | <u>\$ 258,284</u> |

The accompanying notes are an integral part of this statement

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2016

| | | |
|---|----|------------------|
| Fund balance - total governmental fund | \$ | 258,284 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p> | | 854,616 |
| <p>Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities (both current and long-term) are reported in the Statement of Net Position.</p> | | |
| <p>Accrued interest payable</p> | | (1,128) |
| <p>Notes payable</p> | | <u>(378,197)</u> |
| Net position of governmental activities | \$ | <u>733,575</u> |

The accompanying notes are an integral part of this statement

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

| | |
|--|-------------------|
| <u>REVENUES:</u> | |
| Sales tax - 1/8 cent | \$ 270,130 |
| Ad valorem tax | 194,158 |
| Fire insurance rebate | 32,463 |
| Other revenues | <u>13,392</u> |
| Total revenues | <u>510,143</u> |
| <u>EXPENDITURES:</u> | |
| Current for fire protection: | |
| Utilities: | |
| Electricity, water and gas | 17,688 |
| Telephone | 10,566 |
| Equipment: | |
| Maintenance | 49,630 |
| Fuel | 10,850 |
| Insurance | 16,533 |
| Buildings: | |
| Insurance | 23,230 |
| Maintenance | 16,490 |
| Supplies | 3,135 |
| Firefighting expenditures: | |
| Fire fighting supplies | 22,871 |
| Fire prevention | 5,287 |
| Insurance | 13,312 |
| Training | 9,923 |
| Miscellaneous: | |
| Accounting and auditing | 10,415 |
| Salaries and related expenses | 125,240 |
| Payroll taxes and fees | 9,512 |
| Employee benefits | 25,139 |
| Office expenses | 8,388 |
| Meetings and other | 8,807 |
| Dues and subscriptions | <u>8,930</u> |
| Total current expenditures | 395,946 |
| Capital outlays | 3,824 |
| Debt repayment: | |
| Debt retirement | 87,112 |
| Interest expense | <u>21,645</u> |
| Total debt repayment expenditures | <u>108,757</u> |
| Total expenditures | <u>508,527</u> |
| <u>OTHER FINANCING SOURCES:</u> | |
| Insurance proceeds | <u>18,768</u> |
| Total other financing sources | <u>18,768</u> |
| Net change in fund balance | 20,384 |
| FUND BALANCE, BEGINNING OF YEAR | <u>237,900</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 258,284</u> |

The accompanying notes are an integral part of this statement

ST. ROSE 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, 2016

| | | |
|--|----|-----------------|
| Net change in fund balance - governmental fund | \$ | 20,384 |
| 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 \$149,225 exceeded capital outlays of \$3,824 in the current period. | | (145,401) |
| Repayments of note principal are reported as financing uses in governmental funds and thus contribute to the reduction in fund balance. In the Statement of Net Position, however, repayment of debt decreases the long-term liabilities and does not affect the Statement of Activities. | | 87,112 |
| Under the modified accrual basis of accounting used in the governmental funds, interest on long-term debt is not recognized until due, rather than as it accrues. | | <u>205</u> |
| Change in net position of governmental activities | \$ | <u>(37,700)</u> |

The accompanying notes are an integral part of this statement

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

Reporting Entity

The St. Rose 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.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(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.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

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

Basis of Accounting

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

Accrual

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

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

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

Revenues

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

An ad valorem issue is dedicated to the operations of the nine volunteer fire departments in St. Charles Parish. The tax millage expires in 2020. Each 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.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(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, 2016, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

| | Bank Balances Category | | | Bank Balance |
|------|------------------------|------|------|-----------------|
| | 1 | 2 | 3 | |
| Cash | \$ 205,597 | \$ - | \$ - | \$ 205,597 |

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(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:

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

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

Equity Classifications

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

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

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(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.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(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 June 22, 2017, the date which the financial statements were available to be issued.

(2) SALES TAX REVENUE

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

For December 31, 2016, the sales tax is distributed on the following basis:

| | <u>Monthly Basis</u> | <u>Remaining Funds 1/1/16-12/31/16</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, 2016 consists of the Fire Department's share of the 1/8th percent sales tax for the month of November 2016, collected on or before December 20, 2016 by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2017.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 2016.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(4) CAPITAL ASSETS

| | <u>Balance</u> <u>01/01/16</u> | <u>Additions</u> <u>2016</u> | <u>Retirements</u> <u>2016</u> | <u>Balance</u> <u>12/31/16</u> |
|--|-----------------------------------|---------------------------------|-----------------------------------|-----------------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 123,857 | \$ - | \$ - | \$ 123,857 |
| Total capital assets not being depreciated | <u>123,857</u> | <u>-</u> | <u>-</u> | <u>123,857</u> |
| Capital assets being depreciated: | | | | |
| Fire protection vehicles | 1,044,611 | - | - | 1,044,611 |
| Equipment | 1,249,919 | 3,824 | (103,639) | 1,150,104 |
| Buildings | <u>1,084,681</u> | <u>-</u> | <u>-</u> | <u>1,084,681</u> |
| Total capital assets being depreciated | <u>3,379,211</u> | <u>3,824</u> | <u>(103,639)</u> | <u>3,279,396</u> |
| Less: accumulated depreciation | <u>(2,503,051)</u> | <u>(149,225)</u> | <u>103,639</u> | <u>(2,548,637)</u> |
| Total capital assets being depreciated, net | <u>876,160</u> | <u>(145,401)</u> | <u>-</u> | <u>730,759</u> |
| Total capital assets, net | <u>\$ 1,000,017</u> | <u>\$ (145,401)</u> | <u>\$ -</u> | <u>\$ 854,616</u> |

Depreciation expense for the year ended December 31, 2016 was \$149,225.

(5) LONG-TERM DEBT

| | <u>Balance at</u> <u>01/01/16</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance at</u> <u>12/31/16</u> | <u>Due Within</u> <u>One Year</u> |
|---|--------------------------------------|------------------|-------------------|--------------------------------------|--------------------------------------|
| Note payable to Capital One Bank, interest at 4.85%, 120 payments of \$3,569 with a final payment on March 1, 2023, secured by real estate. | \$ 260,702 | \$ - | \$ (30,660) | \$ 230,042 | \$ 32,238 |
| Note payable to Capital One Bank, interest at 5%, principal and interest due in 84 monthly installments of \$2,835 with a final payment on June 20, 2017, secured by vehicle. | 48,967 | - | (32,276) | 16,691 | 16,691 |

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(5) LONG-TERM DEBT (CONTINUED)

| | <u>Balance at</u> 01/01/16 | <u>Additions</u> | <u>Reductions</u> | <u>Balance at</u> 12/31/16 | <u>Due Within</u> <u>One Year</u> |
|--|-------------------------------|------------------|--------------------|-------------------------------|--------------------------------------|
| Note payable to Capital One Bank, interest at 5.25%, principal and interest due in 84 monthly installments of \$2,659 with a final payment on August 22, 2021, secured by vehicle. | 155,640 | - | (24,176) | 131,464 | 25,519 |
| Total | <u>\$ 465,309</u> | <u>\$ -</u> | <u>\$ (87,112)</u> | <u>\$ 378,197</u> | <u>\$ 74,448</u> |

Following is a summary of future principal and interest requirements:

| Year <u>Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------|-------------------|------------------|-------------------|
| 2017 | \$ 74,448 | \$ 17,225 | \$ 91,673 |
| 2018 | 60,769 | 13,963 | 74,732 |
| 2019 | 63,940 | 10,792 | 74,732 |
| 2020 | 67,253 | 7,480 | 74,733 |
| 2021 | 59,967 | 4,017 | 63,984 |
| Thereafter | <u>51,820</u> | <u>1,714</u> | <u>53,534</u> |
| | <u>\$ 378,197</u> | <u>\$ 55,191</u> | <u>\$ 433,388</u> |

Interest costs incurred and expensed for the year ended December 31, 2016 were \$21,440.

(6) 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.

(7) RETIREMENT PLAN

St. Rose Volunteer Fire Department, Inc. maintains a defined contribution profit sharing plan, the St. Rose 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 90% of their compensation. Employee contributions for the year ended December 31, 2016 was \$5,556. The Fire Department may make a profit sharing contribution at its discretion. The Fire Department currently matches 100% of the first 5% of employees' salary deferrals. Employer contributions for the year ended December 31, 2016 totaled \$5,556. The Plan has no forfeitures for the year ended December 31, 2016.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2016

(8) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 73, “*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.*” The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement that address accounting and financial reporting by employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement No. 67 or for pensions that are within the scope of Statement No. 68 are effective for fiscal years beginning after June 15, 2015. This statement did not have a material effect on the Fire Department’s financials upon implementation.

The GASB has issued Statement No. 76, “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*” The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015. This statement did not have a material effect on the Fire Department’s financials upon implementation.

The GASB has issued Statement No. 82, “*Pension Issues an amendment of GASB Statements No. 67, No. 67, and No. 73.*” The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. The Fire Department plans to adopt this Statement as applicable by the effective date.

OTHER SUPPLEMENTARY INFORMATION

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Fire Chief Paul Hymel</u> |
|--|------------------------------|
| Benefits - cell phone | \$ 1,162 |
| Reimbursements | <u>45</u> |
| Total compensation, benefits, and other payments | <u>\$ 1,207</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
St. Rose Volunteer Fire Department, Inc.
St. Rose, Louisiana 70087

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 St. Rose Volunteer Fire Department, Inc. as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise St. Rose Volunteer Fire Department, Inc.'s basic financial statements and have issued our report thereon dated June 22, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Rose 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 St. Rose Volunteer Fire Department, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of St. Rose 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 a material weakness. However, material weaknesses may exist that have not been identified.



To the Board of Directors of the
St. Rose Volunteer Fire Department, Inc.
June 22, 2017

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Rose 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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, 2017
New Orleans, Louisiana


Certified Public Accountants

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION I SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of St. Rose 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 St. Rose 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, 2016.

SECTION II FINANCIAL STATEMENTS FINDINGS

There were no findings related to the financial statements for the year ended December 31, 2016.

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

SECTION I – FINANCIAL STATEMENTS FINDINGS

2015-001 Segregation of Duties

Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives relative to cash receipts.

This issue has been resolved through the implementation of control procedures including requiring dual signatures on all checks.

SECTION II – MANAGEMENT LETTER ITEMS

2015-002 Credit Card Policy

It was noted that the Fire Department did not have a written credit card policy governing the documentation of credit card usage. The Fire Department had controls in place over the usage of credit cards. However, while the Treasurer reviewed statements, he did not document his review. We recommend that the Board of Directors enact a written credit card policy and ensure that all steps of the policy are properly documented.

This issue has been partially resolved through the Fire Department enacting policies to ensure each user of a Fire Department credit card is aware of his or her responsibilities. However, the Fire Department has not yet fully implemented its written credit card policy. This issue has been repeated as a management letter item in 2016.



MANAGEMENT LETTER

To the Board of Directors of the
St. Rose Volunteer Fire Department
St. Rose, Louisiana

In planning and performing our audit of the financial statements of St. Rose Volunteer Fire Department, Inc. (the Fire Department), as of and for the year ended December 31, 2016, 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 a matter that is an opportunity for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding that matter. This letter does not affect our report dated June 22, 2017 on the financial statements of St. Rose Volunteer Fire Department, Inc.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestions with various St. Rose Volunteer Fire Department, Inc. personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. Our comment is summarized as follows:

2016-001 Credit Card Policy

During our audit, it was noted that the Fire Department has started to implement a new credit card policy, but did not have it implemented for the year ended December 31, 2016. The Fire Department currently has controls in place over the usage of credit cards. However, while the Treasurer reviews statements, he does not document his review. We recommend that the Board of Directors enact a written credit card policy and ensure that all steps of the policy are properly documented.

This communication is intended solely for the information and use of the board of directors and others within St. Rose 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, 2017
New Orleans, Louisiana

Certified Public Accountants

ST. ROSE VOLUNTEER FIRE DEPARTMENT, INC.
MANAGEMENT'S CORRECTIVE ACTION PLANS
FOR THE YEAR ENDED DECEMBER 31, 2016

June 22, 2017

Louisiana Legislative Auditor

St. Rose Volunteer Fire Department, Inc. respectfully submits the following corrective action plan for the year ended December 31, 2016.

Name and address of independent public accounting firm:

Ericksen, Krentel & LaPorte, L.L.P.
4227 Canal Street
New Orleans, Louisiana 70119
Contact: Ronald H. Dawson, Jr.

Audit Period: 01/01/2016 to 12/31/2016

The item from the December 31, 2016 management letter is discussed below. The item is numbered consistently with the number assigned in the management letter.

SECTION III MANAGEMENT LETTER ITEMS


2016-002 Credit Card Policy

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

Response: Management is currently in the process of enacting a written credit card policy.

If there are any questions regarding this plan, please call Jeffrey Fabacher at (504) 467-9536.

Sincerely,

 _____
Signature Title

President