

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

KILLONA, LOUISIANA

FINANCIAL REPORT **(Excluding the Membership Account Fund)**

As of and for the Year Ended December 31, 2011



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KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

FINANCIAL REPORT (Excluding the Membership Account Fund)

As of and for the year ended December 31, 2011

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KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

FINANCIAL REPORT

(Excluding the Membership Account Fund)

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Killona Volunteer Fire Department, Inc.
Killona, Louisiana**

We have audited the accompanying financial statements of the general fund of the Killona Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2011, which collectively comprise the department's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the department's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

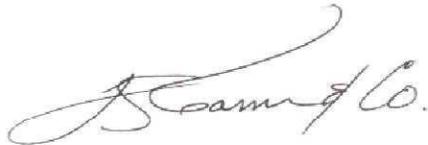
As discussed in Note 1A, the financial statements present only the general fund. They do not purport to, and do not present fairly the financial position of the department as of December 31, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1O to the financial statements, effective January 1, 2011, the department implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the general fund of the Killona Volunteer Fire Department, Inc., as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2012, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 8 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



Thibodaux, Louisiana
June 25, 2012

Required Supplemental Information

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis (Excluding the Membership Account Fund) For the year ended December 31, 2011

Our discussion and analysis of the Killona Volunteer Fire Department, Inc.'s (the department) financial performance provides an overview of the Fire Department's financial activities for the fiscal year ended December 31, 2011. Please read it in conjunction with the department's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The department's assets exceeded its liabilities at the close of 2011 by \$1,715,369.
- Cash and cash equivalents decreased by \$254,869 or 41.29% from the prior year.
- Net assets increased by \$145,340 or 9.26% from the prior year.
- The department's revenues totaled \$247,785 for the year ended December 31, 2011. These revenues are comprised primarily of taxes, state revenue sharing, fire insurance rebates and interest income. Revenues increased by \$17,037 or 7.38% in comparison to the prior year.
- The department's expenses totaled \$202,451 for the year ended December 31, 2011. These expenses are comprised primarily of personnel services and operating services. Expenses increased by \$46,707 or 29.9% in comparison to the prior year.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 9 and 10 provide information about the financial activities of the department and illustrate a long-term view of the department's finances. Fund financial statements start on page 11. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the department's operations in more detail than the government-wide sections of the statements by providing information about the department's significant funds.

A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis
(Excluding the Membership Account Fund)
For the year ended December 31, 2011

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

1. Fund Financial Statements

The fund financial statements provide detailed information about the department's General Fund. All of the department's expenditures are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could readily be converted to cash. The governmental fund statements provide a detailed short-term view of the department's general operations and the expenditures paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future department expenditures. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in reconciliation's on pages 13 and 14.

AN ANALYSIS OF THE DEPARTMENT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

A. STATEMENT OF NET ASSETS

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

	2011	2010
ASSETS		
Current assets	\$ 561,809	\$ 802,076
Capital assets, not being depreciated	30,000	30,000
Capital assets, net of accumulated depreciation	1,147,212	753,004
Total assets	\$ 1,739,021	\$ 1,585,080
LIABILITIES		
Current liabilities	23,652	15,051
Total current liabilities/Total liabilities	23,652	15,051
NET ASSETS		
Investment in capital assets, net of related debt	1,177,212	783,004
Unrestricted	538,157	787,025
Total net assets	\$ 1,715,369	\$ 1,570,029

- Current assets for the year decreased by \$240,267 or 29.96%. This decrease is attributable to cash and investments decrease of \$254,869 for the current year, this decrease is primarily attributable to the current year purchase of a new fire rescue truck.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis (Excluding the Membership Account Fund) For the year ended December 31, 2011

- At the end of the year, the department had noncurrent assets of \$1,177,212. This was comprised of \$30,000 in nondepreciable land and \$2,158,026 of depreciable capital assets net of \$1,010,814 accumulated depreciation. During the year, the department purchased \$488,449 in capital assets, \$446,968 for a new rescue truck, \$15,591 for various equipment, \$9,390 for new gutters and \$16,500 on parking lot repairs. The department disposed of a lawn tractor, which resulted in a loss on the disposition of \$1,038.
- Total current liabilities at the end of the year were \$23,652. This reflects an \$8,601 or 57.2% increase from the prior year. This increase is due to a current year increase in accounts payable.
- The department does not have any long term liabilities.
- Based upon the operations of 2011, the department's net assets increased by \$145,340 or 9.26% and resulted in ending net assets of \$1,715,369.

B. STATEMENT OF ACTIVITIES

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

	<u>2011</u>	<u>2010</u>
Revenue		
General revenue	\$ 247,785	\$ 230,748
Total revenue	247,785	230,748
Expenses		
Public safety - fire protection	202,451	155,744
Total expenses	202,451	155,744
Change in net assets	45,334	75,004
Net assets:		
Beginning of the year	\$ 1,670,035	\$ 1,495,025
End of the year	<u>\$ 1,715,369</u>	<u>\$ 1,570,029</u>

- Total revenue for the year was \$247,785. This amount is \$17,037 or 7.38% higher than last year. This increase is attributable to an increase in ad valorem revenue of \$17,711.
- Total expenses for the year were \$202,451. This amount is \$46,707 or 29.9% higher than last year. While several expenditures increased slightly, the largest increase was depreciation expense, which increased due to the purchase of new assets.
- Based upon the operation of 2011, the department's net assets increased by \$45,334 and resulted in ending net assets of \$1,715,369.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis
(Excluding the Membership Account Fund)
For the year ended December 31, 2011

GOVERNMENTAL FUND

The department uses funds to help control and manage money for particular purposes. At the completion of the year, the department's governmental fund reported a fund balance of \$348,981. This reflects a decrease of \$362,410 from last year.

CAPITAL ASSETS AND LONG-TERM DEBT

During the year, the department purchased \$488,449 in capital assets, \$446,968 for a new rescue truck, \$15,591 for various equipment, \$9,390 for new gutters and \$16,500 on parking lot repairs. The department disposed of a lawn tractor. Depreciation expense for the year was \$93,202. The total capital assets, net of accumulated depreciation, were \$1,177,212 as of December 31, 2011. 47% of the department's assets have been depreciated.

During the year, the department had no long-term debt activity.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The department does not foresee any significant changes to its operation in 2012.

CONTACTING THE FIRE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Killona Volunteer Fire Department, Inc.'s finances and to show the Department's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Mr. Savior Cannon, Chief, P.O. Box 443, Hahnville, Louisiana 70057.

CLOSING COMMENTS

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

Basic Financial Statements

Government-Wide Financial Statements

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Statement of Net Assets
(Excluding the Membership Account Fund)
December 31, 2011

	Governmental Activites
ASSETS	
Current assets:	
Cash and investments	\$ 362,421
Receivables:	
Ad valorem taxes	189,172
Sales taxes	10,216
Total current assets	561,809
Noncurrent assets:	
Capital assets, not being depreciated	30,000
Capital assets, net of accumulated depreciation	1,147,212
Total noncurrent assets	1,177,212
Total assets	\$ 1,739,021
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 23,652
Total current liabilities/Total liabilities	\$ 23,652
NET ASSETS	
Investment in capital assets, net of related debt	\$ 1,177,212
Unrestricted	538,157
Total net assets	\$ 1,715,369

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Statement of Activities
(Excluding the Membership Account Fund)
For the Year Ended December 31, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	
Expenses:	Expenses			
Governmental activities:				
Public safety - fire protection:				
Repairs and maintenance	\$ 24,716	\$ -	\$ -	\$ (24,716)
Professional fees	5,359	-	-	(5,359)
Insurance	22,367	-	-	(22,367)
Fuel	3,384	-	-	(3,384)
Supplies and materials	11,426	-	-	(11,426)
Utilities and telephone	16,408	-	-	(16,408)
Personnel	14,173	-	-	(14,173)
Dues and subscriptions	576	-	-	(576)
Office expense	4,841	-	-	(4,841)
Installation of officers	2,595	-	-	(2,595)
Meals	2,337	-	-	(2,337)
Miscellaneous	30	-	-	(30)
Loss on disposal of asset	1,038	-	-	(1,038)
Depreciation expense	93,202	-	-	(93,202)
Total governmental activities	\$ 202,452	\$ -	\$ -	\$ (202,452)

General Revenues:

Ad valorem tax	\$ 184,868
Sales tax	57,282
Fire Insurance Rebate	3,537
Interest income	1,948
Miscellaneous income	150

Total general revenues **\$ 247,785**

Change in net assets **45,333**

Net assets:

Beginning of the year (restated, see Note 2) **\$ 1,670,035**

End of the year **\$ 1,715,368**

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Fund Financial Statements

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Balance Sheet - Governmental Fund
(Excluding the Membership Account Fund)
December 31, 2011

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 362,421
Receivables:	
Ad valorem taxes	189,172
Sales taxes	10,212
Total assets	<u><u>\$ 561,805</u></u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$ 23,652
Deferred revenue	189,172
Total liabilities	<u><u>\$ 212,824</u></u>
Fund equity and other credits	
Fund balance:	
Unreserved - unassigned	348,981
Total fund equity and other credits	<u><u>\$ 348,981</u></u>
Total liabilities, fund equity and other credits	<u><u>\$ 561,805</u></u>

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
(Excluding the Membership Account Fund)
For the Year Ended December 31, 2011

	General Fund
REVENUES	
Ad valorem tax	\$ 171,334
Sales tax	57,282
Fire insurance rebate	3,537
Interest	1,948
Other revenue	150
	<u>150</u>
Total revenues	\$ 234,251
EXPENDITURES	
Public safety - fire protection:	
Current:	
Repairs and maintenance	\$ 24,716
Professional services	5,359
Insurance	24,992
Fuel	3,384
Materials and supplies	11,897
Utilities and telephone	16,407
Personnel	11,078
Dues and subscriptions	576
Office expenses	4,841
Installation of officers	2,595
Meals	2,337
Miscellaneous	30
Capital Outlay:	
Equipment purchase	462,559
Building improvements	25,890
	<u>25,890</u>
Total expenditures	\$ 596,661
Excess of revenues over/(under) expenditures	(362,410)
Fund balance	
Beginning of year (restated, see Note 2)	\$ 711,391
End of year	\$ 348,981

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Assets
(Excluding the Membership Account Fund)
December 31, 2011**

Total Fund Balances - Governmental Funds	\$ 348,981
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet	1,177,212
Ad valorem taxes will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore they are reported as deferred revenue in the fund financial statements.	<u>189,176</u>
Total Net Assets - Governmental activities	<u>\$ 1,715,369</u>

The accompanying notes are an integral part of this statement.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
Killona, Louisiana

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
(Excluding the Membership Account Fund)
For the year ended December 31, 2011**

Net Change in Fund Balances - Governmental Funds \$ (362,410)

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.

Capital assets purchased	\$	488,449	
Loss on disposition		(1,038)	
Depreciation expense		(93,202)	394,209

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

13,535

Change in Net Assets - Governmental activities \$ 45,334

Notes to the Financial Statements

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

INTRODUCTION

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Funds Excluded From This Report

This financial report does not include the Membership Account Fund. This fund does not include public money and is, therefore, not required to be audited. It is the only fund of the department that is not included in these financial statements, notes, and reports. The department's only other fund is the general fund.

B. Basis of Presentation

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

C. Reporting entity

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

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

D. Basic Financial Statements - Government-wide Statements

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

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

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

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

E. Basic Financial Statements - Fund Financial Statements

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

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

Governmental Funds

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

F. Basis of Accounting / Measurement Focus

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

Accrual:

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

Modified Accrual:

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

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

Revenues

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 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 2019. 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. All other revenues are recorded when received.

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

Expenditures

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

G. Budgets and Budgetary Accounting

The department was not required to prepare a budget for the year ended December 31, 2011.

H. Cash and Cash Equivalents

Under state law, the department may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

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

I. Investments

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

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

J. Inventories

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

K. Receivables

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

L. Use of Estimates

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

M. Capital Assets

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

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

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

N. Long-Term Obligations

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

O. Net Assets/Fund Balances

In the Government Wide Financial Statements, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets are as follows:

Invested in Capital Assets, Net of Related Debt

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

Restricted Net Assets

Net assets that are restricted by external sources such as creditors, grantors, contributors, or by law through either enabling legislation or constitutional provisions are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are components of restricted net assets.

Unrestricted Net Assets

All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Effective January 1, 2011, the Department implemented the provisions of GASB Statement No 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balance of the governmental fund is classified as follows:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal decision of the Board of Commissioners.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned

All other spendable amounts.

NOTE 2. RESTATED BEGINNING FUND BALANCE\NET ASSETS

A certificate of deposit was not recorded on the prior year financial statements. This error resulted in cash and fund balance/net assets being understated by \$100,006.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

NOTE 3. CASH AND INVESTMENTS

At December 31, 2011, the department has demand deposits and certificates of deposit (book balances) totaling \$362,421 as follows:

<u>Cash & Investments</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Category</u>
Cash:					
Capital One Bank - Checking	151,348	151,348	None	Demand	Category 1
Total Choice Federal CU	<u>108,320</u>	<u>108,320</u>	0.35%	Demand	Category 1
Total Cash	<u>\$259,668</u>	<u>\$259,668</u>			
Investments:					
Certificates of Deposit:					
Capital One Bank - CD 1069301	<u>102,753</u>	<u>102,753</u>	0.05%	2/6/2012	Category 1
Total Investments	<u>102,753</u>	<u>102,753</u>			
Total Cash & Investments	<u>\$362,421</u>	<u>\$362,421</u>			

The department's only investment is a certificate of deposit.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the department's checking accounts (bank balances) and certificates of deposits at Capital One Bank totaled \$254,101; the total amount secured by FDIC insurance (category 1) was \$250,000 with the remaining balance of \$4,101 uncollaterized. At year-end, the department's account balance (bank balance) at Total Choice Federal Credit Union was \$108,320. The entire balance is secured by FDIC insurance.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

NOTE 4. REVENUE RECEIVABLES

The receivables at December 31, 2011, consisted of ad valorem taxes in the amount of \$189,172, and sales taxes in the amount of \$10,216.

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Balance at 12/31/2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2011</u>
Capital assets not being depreciated:				
Land	\$ 30,000	-	-	\$ 30,000
Total capital assets not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Capital assets being depreciated:				
Buildings	800,271	9,390	-	809,661
Vehicles	549,399	446,968	-	996,367
Land Improvements	-	16,500	-	16,500
Equipment	324,782	15,591	(4,875)	335,498
Total capital assets being depreciated	<u>1,674,452</u>	<u>488,449</u>	<u>(4,875)</u>	<u>2,158,026</u>
Less: accumulated depreciation	<u>(921,449)</u>	<u>(93,202)</u>	<u>3,837</u>	<u>(1,010,814)</u>
Total capital assets being depreciated, net	<u>753,003</u>	<u>395,247</u>	<u>(1,038)</u>	<u>1,147,212</u>
Total capital assets, net	<u>\$ 783,003</u>	<u>\$ 395,247</u>	<u>\$ (1,038)</u>	<u>\$ 1,177,212</u>

Depreciation expense for the year was \$93,202.

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA**

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

NOTE 6. FIRE PROTECTION CONTRACT

Effective March 1, 1980, sales tax in the amount of one-eighth of one percent is collected by the St. Charles Parish School Board and administered by the Parish President. The sales tax is to be used for the fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen’s Association, Inc. Effective April 4, 2011 (Ord#11-4-4), the sales tax is distributed on the following basis:

Department	Basis	Funds
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%

The department receives a monthly base amount of \$2,500 plus 1.47% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2011 was \$57,282. Sales tax receivable at December 31, 2011 consists of the department’s share of the 1/8th cent sales tax for the month of November 2011, collected on or before December 20, 2011 by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2012.

NOTE 7. AD VALOREM TAX

Effective July 21, 1990, the voters of St. Charles Parish approved a property tax milage in the amount of 1.6 mils. This tax is collected by the St. Charles Parish Sheriff to be used for the fire protection of the Parish of St. Charles. The funds are distributed when collected to the nine individual fire departments of the St. Charles Parish Firemen’s Association, Inc. by the parish’s Department of Finance. The Department’s share of the total property tax for the year ended December 31, 2011, was \$184,868 at a millage rate of 1.55.

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
As of and for the year ended December 31, 2011

Government-wide financial statements

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

Fund financial statements

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

NOTE 8. RISK MANAGEMENT

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

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

NOTE 9. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 25, 2012, which is the date the financial statements were available to be issued.

NOTE 10. LITIGATION AND CLAIMS

At December 31, 2011, the department had no litigation or claims pending.

Reports by Management

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
(Excluding the Membership Account Fund)**

**Summary of Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2011**

**Section I – Internal Control and Compliance Material to the
Financial Statements:**

Ref. No. 1012-01

Description of Finding

Internal Control Material Weakness. The size of the Killona Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Planned

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

Name of Contact Person

Saviour Cannon, Chief

Completion Date

None

Additional Explanation

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

This deficiency cannot be remedied in a cost effective manner.

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
(Excluding the Membership Account Fund)**

**Summary of Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2011**

Ref. No. 1012-02

Description of Finding

Inadequate Controls over Financial Statement Preparation

A material weakness exists in financial reporting because the Department does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Plan

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the Department at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

Name of Contact Person

Saviour Cannon, Chief

Completion Date

None

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
(Excluding the Membership Account Fund)**

**Summary of Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2011**

Ref. No. 1012-03

Description of Finding

Using Public Funds for the Annual Banquet and Certain Meals and Awards

During the audit, it was noted that funds from the public account were used to pay for expenditures for the Annual Banquet, including food and awards as well as certain other meals throughout the year for firemen and board members.

Article VII Section 14 of the Constitution and various Louisiana Revised Statutes generally prohibits the state and its political subdivisions from loaning, pledging or donating public funds, assets or property to persons, associations or corporations, public or private. Generally speaking, there must be a legal obligation to expend funds or use public property for a public purpose or to create a public benefit.

Corrective Action Plan

When this finding was originally presented; management was unaware of this law. Management informed all necessary persons that expenditures of this kind must be paid from the Private Membership Account rather than from public funds and discontinued this practice.

In June 2012, Act 349 was approved allowing some taxpayer funding to be spent on volunteer meals and incentives, within limits, thus reducing the need to rely solely on private donations for these types of expenditures.

Name of Contact Person

Saviour Cannon, Cheif

Completion Date

June 22, 2011

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
(Excluding the Membership Account Fund)**

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2011**

**Section I – Internal Control and Compliance Material to the
Financial Statements:**

Ref. No.

1112-01

Description of Finding

Inadequate Segregation of Duties

The size of the Killona Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

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

Corrective Action Planned

No corrective action plan is taken because this deficiency cannot be remedied in a cost effective manner.

Name of Contact Person

Saviour Cannon, Chief

Anticipated Completion Date

None

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
(Excluding the Membership Account Fund)**

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2011**

Ref. No.

1112-02

Description of Finding

Inadequate Controls over Financial Statement Preparation

A material weakness exists in financial reporting because the Department does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Plan

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the Department at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

Name of Contact Person

Saviour Cannon, Chief

Anticipated Completion Date

None

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
(Excluding the Membership Account Fund)**

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2011**

Ref. No.

1112-03

Description of Finding

Using Public Funds for Certain Meals and Awards

Article VII Section 14 of the Constitution and various Louisiana Revised Statutes generally prohibits the state and its political subdivisions from loaning, pledging or donating public funds, assets or property to persons, associations or corporations, public or private. Generally speaking, there must be a legal obligation to expend funds or use public property for a public purpose or to create a public benefit.

During the 2010 audit, it was noted that funds from the public account were used to pay for certain expenditures, including food and awards as well as certain other meals for firemen and board members. This was brought to the attention of management in June 2011. At which time all such expenditures ceased.

Corrective Action Plan

When this finding was originally presented in the course of the prior year's audit; management was unaware of this law. Management informed all necessary persons that expenditures of this kind must be paid from the Private Membership Account rather than from public funds and ceased this practice immediately.

In June 2012, Act 349 was approved allowing some taxpayer funding to be spent on volunteer meals and incentives, within limits, thus reducing the need to rely solely on private donations for these types of expenditures.

Name of Contact Person

Saviour Cannon, Treasurer

Anticipated Completion Date

June 22, 2011

**KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
(Excluding the Membership Account Fund)**

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2011**

Ref. No.

1112-04

Description of Finding

Improper Controls Over Accounting for Certificates of Deposit

During the course of our audit we came across a deposit for \$100,006. When asked about the nature of this deposit, we were informed that it was for a certificate of deposit that matured at that time. Neither our firm nor the department's external bookkeeper had any record of this certificate of deposit.

LSA-RS 24:514, 24:515, and/or 33:463 states that records provided to the auditor must be accurate and complete. The department did not include this certificate of deposit in its financial information, therefore; previous financial statements certificates of deposit balances were understated by 100,006. A prior period adjusting entry was made to correct the financial statements in the current year.

Corrective Action Plan

Savior Cannon will request that the bank list all certificates of deposit on its monthly bank statement. This information will be provided to the department's external bookkeeper monthly.

Name of Contact Person

Saviour Cannon, Treasurer

Anticipated Completion Date

July 2012

**OTHER REPORT REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***



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

**Board of Directors
Killona Volunteer Fire Department, Inc.
Hahnville, Louisiana**

We have audited the accompanying financial statements of the general fund of the Killona Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2011, which collectively comprise the Department's basic financial statements and have issued our report thereon dated June 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year audit findings we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected in a timely basis. We consider the deficiencies described in the accompanying schedule of current year audit findings to be material weaknesses, see findings (1112-01 and 1112-02).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are describe in the accompanying schedule of current year audit findings, see findings (1112-03 and 1112-04).

The Department's response to the finding identified in our audit is described in the accompanying schedule of corrective action plan on current year findings. We did not audit the Department's response and, accordingly, we express no opinion on it.

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



Thibodaux, Louisiana
June 25, 2012