

ANNUAL FINANCIAL REPORT
EAST SIDE ST. CHARLES PARISH
VOLUNTEER FIRE DEPARTMENT, INC.
FOR THE YEAR ENDED
DECEMBER 31, 2014



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

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
East Side St. Charles Parish Volunteer Fire Department, Inc.
P.O. Box 668
Destrehan, Louisiana 70047

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of East Side St. Charles Parish Volunteer Fire Department, Inc., as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the East Side St. Charles Parish 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 the
East Side St. Charles Parish Volunteer Fire Department, Inc.
June 11, 2015

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of East Side St. Charles Parish Volunteer Fire Department, Inc., as of December 31, 2014, 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 the East Side St. Charles Parish 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 the Act 706 of the 2014 Louisiana Legislative Session and is not a required part of the basic financial statements.



To the Board of Directors of the
East Side St. Charles Parish Volunteer Fire Department, Inc.
June 11, 2015

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 11, 2015, on our consideration of East Side St. Charles Parish 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 East Side St. Charles Parish Volunteer Fire Department, Inc.'s internal control over financial reporting and compliance.

June 11, 2015
New Orleans, Louisiana

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
DESTREHAN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

This section of the East Side St. Charles Parish 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, 2014. 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 increased by \$71,502.
2. The general revenues of the Fire Department were \$621,379.
3. The total expenses of the Fire Department were \$549,877.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

BASIC FINANCIAL STATEMENTS

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

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

The Statement of Revenues, Expenditures and Changes in Fund Balance and 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, 2014 AND 2013

	<u>ASSETS</u>	
	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Current assets	\$ 1,087,525	\$ 1,259,834
Capital assets, net of accumulated depreciation	<u>2,732,652</u>	<u>2,501,878</u>
Total assets	<u>\$ 3,820,177</u>	<u>\$ 3,761,712</u>

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
DESTREHAN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

LIABILITIES

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Accounts payable	\$ -	\$ 13,037
Total liabilities	\$ -	\$ 13,037

NET POSITION

Net investment in capital assets	\$ 2,732,652	\$ 2,501,878
Restricted for fire protection	<u>1,087,525</u>	<u>1,246,797</u>
Total net position	<u>\$ 3,820,177</u>	<u>\$ 3,748,675</u>

Total assets increased by \$58,465 (2%) primarily due to fixed asset additions that included a fire truck and various equipment purchases.

Total net position increased by \$71,502 (2%) as a result of operations.

SUMMARY OF REVENUES, EXPENDITURES/EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
General revenues	\$ 621,379	\$ 716,815
Expenditures/ expenses	<u>(549,877)</u>	<u>(523,781)</u>
Change in net position	<u>\$ 71,502</u>	<u>\$ 193,034</u>
Ending net position	<u>\$ 3,820,177</u>	<u>\$ 3,748,675</u>

The change in net position decreased by \$121,532 (63%). This is a result of a decrease in sales tax revenue combined with an increase in fire-fighting expenditures/expenses.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
DESTREHAN, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

CAPITAL ASSETS

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

	<u>December 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Land	\$ 207,068	\$ 207,068
Buildings and improvements	1,909,915	1,890,770
Vehicles	2,758,008	2,350,038
Equipment	<u>934,910</u>	<u>840,888</u>
	5,809,901	5,288,764
Less accumulated depreciation	<u>(3,077,249)</u>	<u>(2,786,886)</u>
Total capital assets, net of accumulated depreciation	<u>\$ 2,732,652</u>	<u>\$ 2,501,878</u>

The major additions to capital assets during the year consisted of various fire equipment and a fire truck.

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. Bruce Leinweber, East Side St. Charles Parish Volunteer Fire Department, Inc., P.O. Box 668, Destrehan, Louisiana 70047.

BASIC FINANCIAL STATEMENTS

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2014

ASSETS:

Cash	\$ 1,010,424
Due from Parish	26,182
Prepaid expenses	50,919
Capital assets, net of accumulated depreciation	<u>2,732,652</u>
 Total assets	 <u>3,820,177</u>

NET POSITION:

Net investment in capital assets	2,732,652
Restricted for fire protection	<u>1,087,525</u>
 Total net position	 <u>\$ 3,820,177</u>

The accompanying notes are an integral part of this statement

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

FUNCTIONS/PROGRAMS**GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ 549,877
	<u>549,877</u>
Total expenses	<u>549,877</u>
Net (expense) from governmental activities	<u>(549,877)</u>

GENERAL REVENUES:

Sales tax - 1/8 cent	388,742
Ad valorem tax	181,260
Fire insurance rebate	50,416
Other revenues	<u>961</u>
Total general revenues	<u>621,379</u>
Change in net position	71,502
Net position - beginning	<u>3,748,675</u>
Net position - ending	<u>\$ 3,820,177</u>

The accompanying notes are an integral part of this statement

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
BALANCE SHEET
DECEMBER 31, 2014

ASSETS

Cash		\$ 1,010,424
Due from Parish		26,182
Prepaid expenses		<u>50,919</u>
 Total assets		 <u><u>\$ 1,087,525</u></u>

FUND BALANCE

<u>FUND BALANCE:</u>		
Nonspendable: prepaid expenses		50,919
Restricted for fire protection		<u>1,036,606</u>
 Total fund balance		 <u><u>\$ 1,087,525</u></u>

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Fund balance - total governmental fund	\$	1,087,525
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,732,652
Net position of governmental activities	\$	3,820,177

The accompanying notes are an integral part of this statement

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

REVENUES:

Sales tax - 1/8 cent	\$ 388,742
Ad valorem tax	181,260
Fire insurance rebate	50,416
Other revenues	<u>961</u>
 Total revenues	 <u>621,379</u>

EXPENDITURES:

Current for fire protection:

Utilities:

Electricity, water and gas	17,905
Telephone	3,357

Equipment:

Maintenance	66,755
Fuel	6,539
Insurance	28,233

Buildings:

Insurance	29,347
Maintenance	25,934

Firefighting expenditures:

Fire fighting supplies	27,780
Fire prevention	2,609
Insurance	12,794
Training	14,119

Miscellaneous:

Professional services	4,800
Office expenses	10,503
Meetings and other	6,107
Dues and subscriptions	<u>2,732</u>

Total current expenditures 259,514

Capital outlays 521,137

Total expenditures 780,651

Net change in fund balance (159,272)

FUND BALANCE, BEGINNING OF YEAR 1,246,797

FUND BALANCE, END OF YEAR \$ 1,087,525

The accompanying notes are an integral part of this statement

EAST SIDE ST. CHARLES PARISH 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, 2014

Net change in fund balance - governmental fund	\$ (159,272)
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Amounts reported for governmental activities in the Statement of Activities are different because:

<p>Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$521,137 were greater than depreciation of \$290,363 in the current period.</p>	<u>230,774</u>
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Change in net position of governmental activities	\$ <u>71,502</u>
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EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The East Side St. Charles Parish 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.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(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 receivables. 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 (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 outflow of resources, liabilities, deferred inflow 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.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(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. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial 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.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(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 Department or its agent, in the Department's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the 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 Department's name, and deposits which are uninsured or uncollateralized.

At December 31, 2014, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	Bank Balances Category			
	1	2	3	Bank Balance
Cash	\$ 500,000	\$ -	\$ 512,243	\$ 1,012,243

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The Fire Department was not required to prepare a budget for the year ended December 31, 2014.

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.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(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 Board of Directors’ policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use it is the Board of Director’s policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(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 11, 2015 the date which the financial statements were available to be issued.

New Accounting Pronouncements

The GASB has issued Statement No. 67, "Financial Reporting for Pension Plans." The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013. This Statement did not have a material effect on the Fire Department's financial statements upon implementation.

The GASB has issued Statement No. 69, "Government Combinations and Disposals of Government Operations." The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2013. This Statement did not have a material effect on the Fire Department's financial statements upon implementation.

The GASB has issued Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees." The requirements of this Statement will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2013. This Statement did not have a material effect on the Fire Department's financial statements upon implementation.

(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.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(2) SALES TAX REVENUE (CONTINUED)

For December 31, 2014, the sales tax is distributed on the following basis:

	<u>Monthly Basis</u>	<u>Remaining Funds 1/1/14-12/31/14</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, 2014 consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 2014, collected on or before December 20, 2014 by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2015.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 2014.

(4) CAPITAL ASSETS

	<u>Balance 01/01/14</u>	<u>Additions 2014</u>	<u>Retirements 2014</u>	<u>Balance 12/31/14</u>
Fire protection vehicles	\$ 2,350,038	\$ 407,970	\$ -	\$ 2,758,008
Equipment	840,888	94,022	-	934,910
Buildings	1,890,770	19,145	-	1,909,915
Land	<u>207,068</u>	<u>-</u>	<u>-</u>	<u>207,068</u>
	<u>5,288,764</u>	<u>521,137</u>	<u>-</u>	<u>5,809,901</u>
Less: accumulated depreciation	<u>(2,786,886)</u>	<u>(290,363)</u>	<u>-</u>	<u>(3,077,249)</u>
Total capital assets, net	<u>\$ 2,501,878</u>	<u>\$ 230,774</u>	<u>\$ -</u>	<u>\$ 2,732,652</u>

Depreciation expense for the year ended December 31, 2014 was \$290,363.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2014

(5) RISK MANAGEMENT

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

(6) LEASE COMMITMENTS

The Fire Department has entered into two operating leases for property with St. Charles Parish at no cost to the department as follows:

<u>Location</u>	<u>Term</u>
1. Parcel T-1A of Ormond Country Club	Twenty years commencing November 5, 2002
2. Fire Station, 13902 River Road, Destrehan including all improvements	Expires September 1, 2015

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2014

Chief Donald Peyton

No compensation, benefits, and other payments for 2014.

_____ -

Total compensation, benefits, and other payments

\$ _____ -



**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 the
East Side St. Charles Volunteer Fire Department, Inc.
P.O. Box 668
Destrehan, Louisiana 70047

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 East Side St. Charles Volunteer Fire Department, Inc. as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the East Side St. Charles Volunteer Fire Department, Inc.'s basic financial statements and have issued our report thereon dated June 11, 2015.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.



To the Board of Directors of the
East Side St. Charles Volunteer Fire Department, Inc.
June 11, 2015

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the East Side St. Charles 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*.

East Side St. Charles Volunteer Fire Department's Response to Findings

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

Purpose of this Report

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

June 11, 2015
New Orleans, Louisiana

Certified Public Accountants

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

SECTION I SUMMARY OF AUDITORS' REPORTS

1. The auditors' report expresses an unmodified opinion on the financial statements of East Side St. Charles Parish Volunteer Fire Department, Inc.
2. One material weakness disclosed during the audit of the financial statements is reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of East Side St. Charles Parish 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, 2014.

SECTION II FINANCIAL STATEMENT FINDINGS

2014-001 Segregation of Duties

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

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

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

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

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Fire Department to provide oversight and an independent review of functions. One individual should not be an authorized check signer and also have access to cash receipts. Instead, someone independent of the check signer should prepare a list of checks received and provide a copy of the list to the bookkeeper for general ledger recording. The deposit can then be provided to the check signer to verify to the cash receipt listing and bring to the bank.

Management's Response: Management agrees with the recommendation; however, because of the small number of personnel in the Fire Department it is not possible to segregate the depositing and check signing responsibilities. The Board of Directors, however, will continue to monitor and review all financial transactions of the Fire Department and has hired an outside accountant to help mitigate this risk.

EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2014

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE
FINANCIAL STATEMENTS**

2013-001 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 and disbursements.

The Fire Department is small, and it was determined not to be feasible to maintain adequate segregation of duties. This issue remains unresolved.



MANAGEMENT LETTER

To the Board of Directors of the
East Side St. Charles Parish Volunteer Fire Department, Inc.
Destrehan, Louisiana

In planning and performing our audit of the financial statements of East Side St. Charles Volunteer Fire Department, Inc. (the Fire Department), as of and for the year ended December 31, 2014, 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fire Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fire Department's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning these matters. This letter does not affect our report dated June 11, 2015, on the financial statements of East Side St. Charles Volunteer Fire Department, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various East Side St. Charles Volunteer Fire Department, Inc. personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations.

Our comments are summarized as follows:

2014-002 Investment of Excess Cash

We believe the Fire Department could benefit from reducing the amounts of cash being maintained in low or noninterest-bearing operating accounts. Only minimum balances required for day-to-day operations need be kept in operating accounts, and amounts not needed for operations may be invested on a short-term basis. Effective cash management can increase the return earned on the Fire Department's resources.



To the Board of Commissioners of the
East Side St. Charles Parish Volunteer Fire Department, Inc.
June 11, 2015
Page 2

2014-003 Notice of Fraud Hotline

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

This letter is intended solely for the information and use of East Side St. Charles Parish 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 11, 2015
New Orleans, Louisiana


Certified Public Accountants

**CORRECTIVE ACTION PLAN RELATIVE TO
INTERNAL CONTROL FINDING**

June 11, 2015

Louisiana Legislative Auditor

East Side St. Charles Parish Volunteer Fire Department, Inc., Inc, respectfully submits the following corrective action plan for the year ended December 31, 2014.

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: 01/01/2014 to 12/31/2014

The finding from the December 31, 2014 report on internal controls is discussed below. The finding is numbered consistently with the number assigned in the schedule of findings and responses.

SECTION II FINANCIAL STATEMENT FINDINGS

2014-001 Segregation of Duties

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Fire Department to provide oversight and an independent review of functions. One individual should not be an authorized check signer and also have access to cash receipts. Instead, someone independent of the check signer should prepare a list of checks received and provide a copy of the list to the bookkeeper for general ledger recording. The deposit can then be provided to the check signer to verify to the cash receipt listing and bring to the bank.

Management's Response: Management agrees with the recommendation; however, because of the small number of personnel in the Fire Department it is not possible to segregate the depositing and check signing responsibilities. The Board of Directors, however, will continue to monitor and review all financial transactions of the Fire Department and has hired an outside accountant to help mitigate this risk.

**CORRECTIVE ACTION PLAN RELATIVE TO
INTERNAL CONTROL FINDING (CONTINUED)**

SECTION III MANAGEMENT LETTER ITEMS

2014-002 Investment of Excess Cash

Recommendation: We recommend the Fire Department reduce the amount of cash being maintained in low or non-interest bearing operating accounts. Only keep minimum balances required for day-to-day operations and excess amounts should be invested on a short-term basis.

Management's Response: Management agrees with the recommendation and will research investment options available with higher returns.

2014-003 Notice of Fraud Hotline

Recommendation: The Fire Department should post the notice on the Fire Department's premises.

Management's Response: Management agrees with the recommendation and will post the notice on the Fire Department's premises.

If there are any questions regarding this plan, please call Bruce Leinweber at (985) 764-8112.

Sincerely,



Signature



Title