

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

KILLONA, LOUISIANA

FINANCIAL REPORT (Excluding the Membership Account Fund)

As of and for the Year Ended December 31, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/31/11



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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, 2010

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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, 2010, 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.

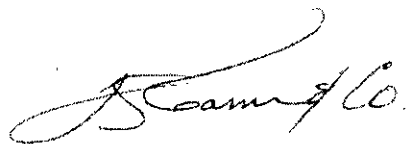
As discussed in Note 1A, the financial statements present only the general fund. They do not purport to, and do not present fairly the financial position of the department as of December 31, 2010, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 Hahnville Volunteer Fire Department, Inc., as of December 31, 2010, 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 24, 2011, 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 24, 2011

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, 2010

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, 2010. Please read it in conjunction with the Department's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The department's net assets decreased by \$75,004
- The total revenues of the department were \$230,748.
- The total expenses of the department were \$155,744.
- Cash and Investments increased by \$44,919

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.

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

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis (Excluding the Membership Account Fund) For the year ended December 31, 2010

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:

	2010	2009
ASSETS		
Current assets	\$ 802,076	\$ 761,426
Capital assets, net of accumulated depreciation	783,004	734,999
Total assets	\$ 1,585,080	\$ 1,496,425
LIABILITIES		
Current liabilities	15,051	1,400
Total current liabilities/Total liabilities	15,051	1,400
NET ASSETS		
Investment in capital assets, net of related debt	783,004	734,999
Restricted for prepaid expenses	-	-
Unrestricted	787,025	760,026
Total net assets	\$ 1,570,029	\$ 1,495,025

- Cash and investments at the end of the year were \$44,919 higher than last year.
- At the end of the year, the department had capital assets, net of accumulated depreciation in the amount of \$783,004. This was made up of \$1,704,453 in capital assets and \$921,449 in accumulated depreciation.
- In 2010, the department did additional improvements of \$9,520 to the existing fire station. This amount was added to buildings and is being depreciated.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis
(Excluding the Membership Account Fund)
For the year ended December 31, 2010

B. STATEMENT OF ACTIVITIES

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

	<u>2010</u>	<u>2009</u>
Revenue		
General revenue	\$ 230,748	\$ 235,310
Total revenue	230,748	235,310
Expenses		
Public safety - fire protection	155,744	153,453
Total expenses	155,744	153,453
Change in net assets	75,004	81,857
Net assets:		
Beginning of the year	\$ 1,495,025	\$ 1,413,168
End of the year	\$ 1,570,029	\$ 1,495,025

- Based upon the operation of 2010, the department's net assets increased by \$75,004 and resulted in ending net assets of \$1,570,029.
- Total revenue for the year decreased by \$4,562. This resulted from a decrease in sales tax revenue of \$4,243.
- Total expenses for the year increased by \$2,291. This increase is due to an increase of the cost of utilities, material and supplies.

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 \$611,387. This reflects an increase of \$31,542 from last year.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

Killona, Louisiana

Management's Discussion and Analysis
(Excluding the Membership Account Fund)
For the year ended December 31, 2010

CAPITAL ASSETS AND LONG-TERM DEBT

During the year, the department purchased \$108,820 in equipment and \$9,520 was spent on the completion of building renovations. Depreciation expense for the year was \$70,336. The total capital assets, net of accumulated depreciation, were \$783,004 as of December 31, 2010. 54% 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 plans to do concrete work around the outside of building. They will have to take bids on the job, according to the estimate by a contractor.
- The department intends to receive grant money for the purchase of radios. At the time of purchase of the radios, money was withdrawn from a CD to cover the cost of these radios.

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, 2010

	Governmental Activites
ASSETS	
Current assets:	
Cash and investments	\$ 617,290
Receivables:	
Ad valorem taxes	175,638
Sales taxes	9,148
Total current assets	802,076
Capital assets:	
Capital assets, net of accumulated depreciation	783,004
Total fixed assets	783,004
Total assets	\$ 1,585,080
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 15,051
Total current liabilities/Total liabilities	\$ 15,051
NET ASSETS	
Investment in capital assets, net of related debt	\$ 783,004
Unrestricted	787,025
Total net assets	\$ 1,570,029

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, 2010

	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	\$ 19,606	\$ -	\$ -	\$ (19,606)
Professional fees	5,039	-	-	(5,039)
Insurance	16,835	-	-	(16,835)
Fuel	2,802	-	-	(2,802)
Supplies and materials	10,383	-	-	(10,383)
Utilities and telephone	15,193	-	-	(15,193)
Personnel	4,010	-	-	(4,010)
Dues and subscriptions	119	-	-	(119)
Office expense	2,669	-	-	(2,669)
Installation of officers	2,958	-	-	(2,958)
Meals	5,021	-	-	(5,021)
Penalties	773	-	-	(773)
Depreciation expense	70,336	-	-	(70,336)
Total governmental activities	\$ 155,744	\$ -	\$ -	\$ (155,744)

General Revenues:

Ad valorem tax	\$ 167,157
Sales tax	52,392
Fire Insurance Rebate	3,424
Interest income	2,685
Insurance reimbursement	4,530
Miscellaneous income	560
Total general revenues	\$ 230,748
Change in net assets	75,004
Net assets:	
Beginning of the year	\$ 1,495,025
End of the year	<u>\$ 1,570,029</u>

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, 2010

		<u>General Fund</u>
ASSETS		
Cash and investments	\$	617,290
Receivables:		
Ad valorem taxes		175,638
Sales taxes		9,148
Total assets	\$	<u>802,076</u>
 LIABILITIES AND FUND EQUITY		
Liabilities		
Accounts payable	\$	15,051
Deferred revenue		175,638
Total liabilities	\$	<u>190,689</u>
 Fund equity and other credits		
Fund balance:		
Unreserved - undesignated		611,387
Total fund equity and other credits	\$	<u>611,387</u>
Total liabilities, fund equity and other credits	\$	<u>802,076</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, 2010

	General Fund
REVENUES	
Ad valorem tax	\$ 171,700
Sales tax	52,392
Fire insurance rebate	3,424
Interest	2,685
Insurance reimbursement	4,530
Other revenue	560
	\$ 235,291
EXPENDITURES	
Public safety - fire protection:	
Current:	
Repairs and maintenance	\$ 19,606
Professional services	5,039
Insurance	19,961
Fuel	2,802
Materials and supplies	10,383
Utilities and telephone	15,193
Personnel	884
Dues and subscriptions	119
Office expenses	2,670
Penalties	773
Installation of officers	2,958
Meals	5,021
Capital Outlay:	
Equipment purchase	108,820
Building improvements	9,520
	\$ 203,749
Excess of revenues over/(under) expenditures	31,542
Fund balance	
Beginning of year	\$ 579,845
End of year	\$ 611,387

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, 2010**

Total Fund Balances - Governmental Funds	\$ 611,387
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	783,004
Ad valorem taxes will be collected after year end; but, they are <i>not available soon enough to pay for the current period</i> expenditures; therefore they are reported as deferred revenue in the fund financial statements.	<u>175,638</u>
Total Net Assets - Governmental activities	<u>\$ 1,570,029</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, 2010**

Net Change in Fund Balances - Governmental Funds \$ 31,542

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	\$	118,340	
Depreciation expense		<u>(70,336)</u>	48,004

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.		<u>(4,542)</u>
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Change in Net Assets - Governmental activities	\$	<u>75,004</u>
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The accompanying notes are an integral part of this statement.

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, 2010

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, 2010

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
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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 2010. 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.

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, 2010

Expenditures

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

G. Budgets and Budgetary Accounting

The Department was not required to prepare a budget for the year ended December 31, 2010.

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

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, 2010

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.

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 Statement of Net Assets, the difference between a government's assets and liabilities is recorded as net assets. The three components of net assets are as follows:

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
KILLONA, LOUISIANA

Notes to the Financial Statements
(Excluding the Membership Account Fund)
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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.

Restricted Net Assets

This component consists of net assets with constraints 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. The Department has net assets restricted for prepaid insurance.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first to finance its activities.

In the Balance Sheet of governmental funds, fund balances are segregated as follows:

Reserved

These resources are segregated because their use is earmarked for a specific use. The Department has not reserved fund balances.

Unreserved

This category represents that portion of equity not appropriable for expenditures or legally segregated for a specific future use.

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, 2010

NOTE 2. CASH AND INVESTMENTS

At December 31, 2010, the Department has demand deposits and certificates of deposit (book balances) totaling \$617,290 as follows:

<u>Cash & Investments</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>
Cash:				
Capital One Bank - Checking	\$10,269	\$10,269	None	Demand
Total Choice Federal CU - share acct	<u>107,780</u>	<u>107,780</u>	0.50%	Demand
Total Cash	<u>\$118,049</u>	<u>\$118,049</u>		
Investments:				
Certificates of Deposit:				
Capital One Bank - CD 1030640	100,000	100,000	0.50%	3/16/2011
Capital One Bank - CD 1069301	102,701	102,701	0.05%	2/26/2011
Capital One Bank - CD 1022450	104,647	104,647	0.50%	1/30/2011
Capital One Bank - CD 1241966093	107,038	107,038	0.05%	12/6/2011
Capital One Bank - CD 1242545693	<u>84,855</u>	<u>84,855</u>	0.50%	2/3/2011
Total Investments	<u>\$499,240</u>	<u>\$499,240</u>		
Total Cash & Investments	<u>\$617,290</u>	<u>\$617,290</u>		

The Fire Department's investments are five certificates 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 \$509,510; the total amount secured by FDIC insurance (category 1) was \$250,000 with the remaining balance collateralized by pledged securities (category 3), reducing the departments credit risk . At year-end, the Department's account balance (bank balance) at Total Choice Federal Credit Union was \$107,780. 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, 2010

NOTE 3. REVENUE RECEIVABLES

The receivables at December 31, 2010, consisted of ad valorem taxes in the amount of \$175,638, and sales taxes in the amount of \$9,148.

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Balance at 12/31/2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at 12/31/2010</u>
Capital assets not being depreciated:				
Land	30,000	-	-	30,000
Construction in progress		-	-	-
Total capital assets not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Capital assets being depreciated:				
Buildings	790,751	9,520	-	800,271
Vehicles	549,399	-	-	549,399
Equipment	215,962	108,820	-	324,782
Total capital assets being depreciated	<u>1,556,112</u>	<u>118,340</u>	<u>-</u>	<u>1,674,452</u>
Less: accumulated depreciation	<u>(851,113)</u>	<u>(70,336)</u>	<u>-</u>	<u>(921,449)</u>
Total capital assets being depreciated, net	<u>704,999</u>	<u>48,004</u>	<u>-</u>	<u>753,003</u>
Total capital assets, net	<u><u>734,999</u></u>	<u><u>48,004</u></u>	<u><u>-</u></u>	<u><u>783,003</u></u>

Depreciation expense for the year was \$70,336.

**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, 2010

NOTE 5. 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 May 1, 2006, the sales tax is distributed on the following basis:

	Monthly Basis	% of Remaining Funds
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.86%
Des Allemands Volunteer Fire Dept., Inc.	\$ 2,500	4.43%
East Side St. Charles Volunteer Fire Dept., Inc.	\$ 2,500	23.47%
Hahnville Volunteer Fire Dept., Inc.	\$ 2,500	6.82%
Killona Volunteer Fire Dept., Inc.	\$ 2,500	1.52%
Luling Volunteer Fire Dept., Inc.	\$ 2,500	29.43%
Norco Area Volunteer Fire Dept., Inc.	\$ 2,500	9.75%
Paradis Volunteer Fire Dept., Inc.	\$ 2,500	4.64%
St. Rose Volunteer Fire Dept., Inc.	\$ 2,500	16.08%

The Department receives a monthly base amount of \$2,500 plus 1.52% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2010, was \$52,392.

Sales tax receivable at December 31, 2010, consists of the Department's share of the 1/8th cent sales tax for the month of November and December 2010, collected on or before December 20, 2010 by the St. Charles Parish School Board and remitted by St. Charles Parish in January and February 2011.

NOTE 6. 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, 2010, was \$167,157 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

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, 2010

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.

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 7. RISK MANAGEMENT

The Fire 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 Fire 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 8. 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 24, 2011, which is the date the financial statements were available to be issued.

NOTE 9. LITIGATION AND CLAIMS

At December 31, 2010, the Fire 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, 2010**

Ref. No.

0912-01

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

Anticipated 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, 2010**

Ref. No.

0912-02

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 Prior Audit Findings
As of and for the Year Ended December 31, 2010**

Ref. No.

0912-03

Description of Finding

Non Compliance with LSA-RS 42:4.1 through 42:13 (the open meetings law)

Non compliance exists because the Department does not inform the public when a board meeting will be held. Although the department is holding meetings with simple majority present and minutes are recorded and kept, the department is not publically posting notice of the meeting at least 24 prior to the meeting.

Corrective Action Plan

Management agreed and will began posting the agenda publically in accordance with LSA-RS 42:4.1 through 42:13.

Name of Contact Person

Saviour Cannon, Cheif

Anticipated Completion Date

Complete

**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, 2010**

**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

Anticipated 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 Current Year Audit Findings
As of and for the Year Ended December 31, 2010**

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

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, 2010**

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

Management was unaware of this law and will remind all necessary persons that expenditures of this kind must be paid from the Private Membership Account rather than from public funds.

Name of Contact Person

Saviour Cannon, Treasurer

Anticipated Completion Date

June 24, 2011

**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, 2010, which collectively comprise the Department's basic financial statements and have issued our report thereon dated June 24, 2011. 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.

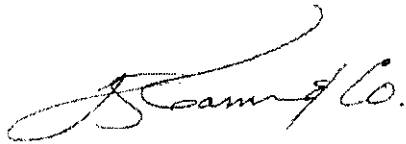
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first 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. We identified two deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above (1012-01 and 1012-02). *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.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (1012-3).

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 24, 2011