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KILLONA VOLUNTEER FIRE DEPARTMENT, INC.

GENERAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7-28-99

Ericksen, Krentel, Canton & LaPorte, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 Canal Street

New Orleans, Louisiana 70119-5996

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CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET

NEW ORLEANS, LOUISIANA 70119-5996

TELEPHONE (504) 486-7275 FAX (504) 482-2516 E-Mail ekcl@ekclcpa.com

FABIO J. CANTON*
JAMES E. LAPORTE*
RICHARD G. MUELLER
RONALD H. DAWSON, JR.*
KEVIN M. NEYREY
CLAUDE M. SILVERMAN*
KENNETH J. ABNEY*
W. ERIC POWERS

*PROFESSIONAL CORPORATION

BENJAMIN J. ERICKSEN (Retired 1998)
J.V. LECLERE KRENTEL (Retired 1993)
RONALD H. ACKERMANN (Retired 1995)

INDEPENDENT AUDITORS' REPORT

Killona Volunteer Fire Department, Inc.
P.O. Box 140
Killona, Louisiana 70066

We have audited the accompanying general purpose financial statements of the Killona Volunteer Fire Department, Inc. as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of the Killona Volunteer Fire Department, Inc.'s management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the *Louisiana Governmental Audit Guide* and *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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Killona Volunteer Fire Department, Inc. as of December 31, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

The year 2000 supplementary information on page 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and do not express an opinion on it. In addition we do not provide assurance that the Department is or will become year 2000 compliant, that the Department's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Department does business are or will become year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 1999 on our consideration of the Killona Volunteer Fire Department, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

June 11, 1999


Certified Public Accountants

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

ASSETS AND PROVISIONS

	Governmental	Account	Totals	
	Fund Type	Group	(Memorandum Only)	
	General Fund	General Fixed Assets	1998	1997
Cash	\$ 433,428	\$ -	\$ 433,428	\$ 328,404
Due from Parish (Note 3)	3,261	-	3,261	2,916
Prepaid expenses	6,307	-	6,307	6,286
Fire Protection vehicles	-	275,564	275,564	275,564
Equipment	-	217,980	217,980	194,000
Buildings	-	154,981	154,981	154,981
Land	-	15,522	15,522	15,522
	<u>442,996</u>	<u>664,047</u>	<u>1,107,043</u>	<u>977,673</u>
Total assets and provision	\$ 442,996	\$ 664,047	\$ 1,107,043	\$ 977,673

LIABILITIES AND FUND EQUITY

LIABILITIES:

Accounts payable	\$ 6,603	\$ -	\$ 6,603	\$ 5,615
Total liabilities	<u>6,603</u>	<u>-</u>	<u>6,603</u>	<u>5,615</u>

FUND EQUITY:

Fixed asset investment	-	664,047	664,047	640,067
Fund balance - reserved for prepaid expenses	6,307	-	6,307	6,286
Fund balance - reserved for encumbrances	263,375	-	263,375	-
Fund balance - unreserved, undesignated	<u>166,711</u>	<u>-</u>	<u>166,711</u>	<u>325,705</u>
Total fund equity	<u>436,393</u>	<u>664,047</u>	<u>1,100,440</u>	<u>972,058</u>
Total liabilities and fund equity	\$ 442,996	\$ 664,047	\$ 1,107,043	\$ 977,673

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1998

	1998	Total (Memorandum Only) 1997
	<u>1998</u>	<u>1997</u>
<u>REVENUES:</u>		
Sales tax - 1/8 cent	\$ 46,364	\$ 42,072
Operations and capital improvements millage	104,456	110,289
Interest income	21,351	12,289
Other revenues	<u>635</u>	<u>648</u>
Total revenues	<u>172,806</u>	<u>165,298</u>
<u>EXPENDITURES:</u>		
Utilities:		
Electricity, gas and water	5,910	5,673
Telephone	2,844	1,434
Equipment:		
Maintenance	4,409	7,645
Fuel	1,245	1,063
Insurance	2,970	3,266
Buildings:		
Maintenance	4,260	6,735
Insurance	3,780	3,698
Fire fighting expenditures:		
Fire fighting supplies	7,553	7,366
Training	463	228
Miscellaneous:		
Personnel insurance	2,899	2,505
Accounting and auditing	2,400	2,000
Dues and subscriptions	75	75
Office expenses	1,789	3,184
Meetings and other	3,827	2,764
Account group activity:		
Equipment purchases	<u>23,980</u>	<u>16,075</u>
Total expenditures	<u>68,404</u>	<u>63,711</u>
EXCESS REVENUES OVER EXPENDITURES	104,402	101,587
BEGINNING FUND BALANCE, JANUARY 1	<u>331,991</u>	<u>230,404</u>
ENDING FUND BALANCE, DECEMBER 31	<u>\$ 436,393</u>	<u>\$ 331,991</u>

See accompanying NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Killona 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.

Fund Accounting

The accounts of the Fire Department are organized on the basis of a fund (General Fund) and account groups, each of which is considered a separate accounting entity. The operations of the General Fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures.

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.

The Fire Department records are maintained on a 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.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues (Continued)

A ten year ad valorem tax issue was dedicated to the operations of the Fire Departments beginning in 1991. Each department is to receive one-ninth of annual collections. Taxes levied in November of 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 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, except for principal and interest on general long-term debt which is not recognized until due.

Cash and Cash Equivalents

The 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 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. At December 31, 1998, the carrying amount of the Department's deposits was \$433,428, and the bank balance was \$433,858, classified as follows:

Federally insured	\$ 203,693
Collateralized	197,733
Uninsured and uncollateralized	<u>32,432</u>
	<u>\$ 433,858</u>

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 1998 are recorded as prepaid items. A portion of the general fund's fund balance equal to the prepaid items has been reserved to indicate that it is not available for appropriation.

Budgets and Budgetary Accounting

The Fire Department was not required to prepare a budget for the year ended December 31, 1998.

Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is used in governmental funds.

Fixed Assets and Long-Term Liabilities

Fixed assets used in governmental fund type operations are accounted for in the general fixed assets account group, rather than in the General Fund. No depreciation has been provided on fixed assets. Fixed assets are valued at historical cost. Donated fixed assets are recorded at estimated fair market value at the date of donation.

Long-term liabilities expected to be financed from the General Fund are accounted for in the general long-term liabilities account group.

The two account groups are not "funds". They are concerned only with the measurement of financial position and do not involve measurement of results of operations.

Total Columns

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the Fire Department's financial position and operations. However, presentation of prior year totals by fund type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

(2) SALES TAXES

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. Effective September, 1994, the sales tax is distributed on the following basis:

	<u>Monthly Basis</u>	<u>Percent of Remaining Funds</u>
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.21%
Des Allemands Volunteer Fire Dept., Inc.	\$ 2,500	4.83%
East Side St. Charles Volunteer Fire Dept., Inc.	\$ 2,500	23.57%
Hahnville Volunteer Fire Dept., Inc.	\$ 2,500	5.92%
Killona Volunteer Fire Dept., Inc.	\$ 2,500	1.56%
Luling Volunteer Fire Dept., Inc.	\$ 2,500	29.00%
Norco Area Volunteer Fire Dept., Inc.	\$ 2,500	10.51%
Paradis Volunteer Fire Dept., Inc.	\$ 2,500	4.20%
St. Rose Volunteer Fire Dept., Inc.	\$ 2,500	17.20%

(3) REVENUE RECEIVABLE

Revenue receivable at December 31, 1998, consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 1998, collected on or before December 20, 1998, by the St. Charles Parish School Board and remitted by St. Charles Parish in January 1999.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 1998.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 1998

(4) CHANGES IN GENERAL FIXED ASSETS

	<u>Balance</u> <u>1/1/98</u>	<u>Purchases</u> <u>1998</u>	<u>Retirements</u> <u>1998</u>	<u>Balance</u> <u>12/31/98</u>
Fire protection vehicles	\$ 275,564	\$ -	\$ -	\$ 275,564
Equipment	194,000	23,980	-	217,980
Buildings	154,981	-	-	154,981
Land	<u>15,522</u>	<u>-</u>	<u>-</u>	<u>15,522</u>
	<u>\$ 640,067</u>	<u>\$ 23,980</u>	<u>\$ -</u>	<u>\$ 664,047</u>

(5) CASH

The Fire Department maintains a separate petty cash account. The petty cash account is funded through public functions held by the Fire Department. Expenditures from this petty cash account are for expenses related to the functions. The amount in the petty cash account was not included in the financial statements and was therefore not subjected to the audit procedures of the financial statements.

(6) RISK MANAGEMENT

The Volunteer 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 Volunteer Fire Department carries commercial insurance in amounts sufficient to insure itself against claims resulting from any of those risks.

(7) RESERVE FOR ENCUMBRANCES

In January 1999, the Department purchased a custom pumper fire truck for \$263,375. This amount is presented as fund balance – reserved for encumbrances in the accompanying combined balance sheet at December 31, 1998.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
YEAR 2000 SUPPLEMENTARY INFORMATION
DECEMBER 31, 1998

UNAUDITED

Because many computer systems use only two digits to record the year in date fields, such systems may not be able to accurately process dates including the year 2000 and after. The effects of this problem will vary from system to system, but unless this problem is addressed, computer systems that rely on date calculations are at risk of producing unpredictable results or complete failure.

The management of the Department is aware of the year 2000 issue and has initiated a remediation project to take all necessary and reasonable steps to get mission critical systems and operations year 2000 compliant in a timely manner. The management of the Department feels that all mission critical systems are presently year 2000 compliant.

Management believes that the cost of making the systems year 2000 compliant was insignificant.

However, the Department's emergency response is dependent on the operation of the St. Charles Parish 9-1-1 emergency response system, which is maintained by various entities of St. Charles Parish. The Department has no responsibility or control over the year 2000 compliance of the emergency response system.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management can not assure that the Department is or will be year 2000 ready, that the Department's remediation efforts will be successful in whole or part, or that parties with whom the Department does business will be year 2000 ready.

The assessment of the costs of the year 2000 compliance and the completion of the internal year 2000 modifications are management's estimates. It is reasonably possible that actual and estimated results will differ materially.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

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

1997-1 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 Department is small, and it was determined not to be feasible to maintain adequate segregation of duties. This issue remains unresolved.

**SECTION II INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL
AWARDS**

Not Applicable

SECTION III MANAGEMENT LETTER

Not Applicable

Ericksen, Krentel, Canton & LaPorte, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

4227 CANAL STREET
TELEPHONE (504) 486-7275

NEW ORLEANS, LOUISIANA 70119-5996

FAX (504) 482-2516 E-Mail ekcl@ekclcpa.com

FABIO J. CANTON*
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J.V. LECLERE KRENTEL (Retired 1993)
RONALD H. ACKERMAN (Retired 1995)

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

Killona Volunteer Fire Department, Inc.
P.O. Box 140
Killona, Louisiana 70066

We have audited the general purpose financial statements of Killona Volunteer Fire Department, Inc., as of and for the year ended December 31, 1998, and have issued our report thereon dated June 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Killona Volunteer Fire Department, Inc.'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 test disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and questioned costs as item 1998-2.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Killona Volunteer Fire Department, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Killona Volunteer Fire Department, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 1998-1.

Killona Volunteer Fire Department, Inc.

June 11, 1999

Page 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information and use of Killona 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.

June 11, 1999



Certified Public Accountants

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998

We have audited the financial statements of Killona Volunteer Fire Department, Inc. as of and for the year ended December 31, 1998, and have issued our report thereon dated June 11, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 1998 resulted in an unqualified opinion.

SECTION I SUMMARY OF AUDITORS' REPORTS

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses ___ Yes X No

Reportable Conditions X Yes ___ No

Compliance

Compliance Material to Financial Statements X Yes ___ No

b. Federal Awards **Not Applicable**

Internal Control

Material Weaknesses ___ Yes ___ No

Reportable Conditions ___ Yes ___ No

Type of Opinion on Compliance Unqualified ___ Qualified ___
for Major Programs Disclaimer ___ Adverse ___

Are their findings required to be reported in accordance with Circular A-133, Section .510(a)? ___ Yes ___ No

c. Identification of Major Programs: **Not Applicable**

CFDA Number(s)	Name of Federal Program (or Cluster)

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

Dollar threshold used to distinguish Type A and Type B Programs \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?

Yes No **Not Applicable**

SECTION II FINANCIAL STATEMENT FINDINGS

1998-1 Segregation of Duties

Criteria: Safeguarding of assets requires adequate segregation of duties. 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 Department is small and therefore it is not feasible to maintain an adequate segregation of duties among accounting personnel. All personnel are volunteers.

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Department to provide oversight and independent review functions. The bookkeeper should not be an authorized check signer and should not have access to cash receipts. Instead, someone independent of the bookkeeper should prepare a list of checks received and should make bank deposits. The list would be given to the bookkeeper for general ledger recording.

Management's Response: Management agrees with the recommendation; however, they feel that because of the small number of personnel in the Department it is not possible to remove the bookkeeper from the depositing and check signing responsibilities. The Board of Directors, however, will continue to monitor and review all financial transactions of the Department.

1998-2 Collateralization

Criteria: Louisiana laws affecting local governments require that deposits in excess of the federally insured limit of \$100,000 be secured by a collateral pledge agreement between the financial institution and the local government.

KILLONA VOLUNTEER FIRE DEPARTMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

Condition: Our evaluation of the compliance with laws and regulations revealed insufficient collateral pledged against the deposits in excess of the federal depository insurance.

Effect: There is a risk that the department could sustain a loss of \$32,432 due to bank failure. The department is in violation of the Louisiana Revised Statutes governing cash management of local governments.

Cause: The department failed to monitor its cash levels at Hibernia National Bank.

Recommendation: Management of the fire department should take immediate steps to secure the balances at Hibernia National Bank and should monitor its cash balances throughout each month to avoid accumulating balances above the secured amount.

Management's Response: Hibernia National Bank will pledge additional investments to secure the cash balances of the department. Management will more closely monitor its cash levels at all banks.