

FINANCIAL REPORT
HARVEY VOLUNTEER FIRE COMPANY NO. 2
DECEMBER 31, 2019 AND 2018

HARVEY VOLUNTEER FIRE COMPANY NO. 2

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DECEMBER 31, 2019 AND 2018

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INDEPENDENT AUDITOR'S REPORT

June 30, 2020

Board of Directors
Harvey Volunteer Fire Company No. 2
P. O. Box 1053
Harvey, Louisiana 70059

Report on the Financial Statements

We have audited the accompanying financial statements of Harvey Volunteer Fire Company No. 2 (a Louisiana non-profit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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.

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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 organization'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 organization'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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harvey Volunteer Fire Company No. 2 as of December 31, 2019 and 2018, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 30, 2020, on our consideration of Harvey Volunteer Fire Company No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the 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 Harvey Volunteer Fire Company No. 2's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

HARVEY VOLUNTEER FIRE COMPANY NO. 2
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash	\$ 1,501,917	\$ 2,213,916
Investments, at cost	94,819	93,625
Due from employee	200	1,500
Total current assets	<u>1,596,936</u>	<u>2,309,041</u>
PROPERTY AND EQUIPMENT:		
Land and land improvements	73,787	73,787
Furniture and fixtures	113,635	121,589
Automobiles and trucks	1,268,354	1,299,885
Equipment	2,025,986	2,029,354
Building improvements	1,410,502	1,410,501
Total	<u>4,892,264</u>	<u>4,935,116</u>
Less: Accumulated depreciation	<u>3,042,284</u>	<u>2,894,532</u>
Net property and equipment	<u>1,849,980</u>	<u>2,040,584</u>
OTHER ASSETS:		
Investments, at cost	<u>30,876</u>	<u>30,450</u>
 TOTAL ASSETS	 <u>\$ 3,477,792</u>	 <u>\$ 4,380,075</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 48,299	\$ 79,619
Accrued expenses	40,836	85,296
Insurance claims payable	21,433	6,711
Total current liabilities	<u>110,568</u>	<u>171,626</u>
NET ASSETS:		
Without donor restrictions	<u>3,367,224</u>	<u>4,208,449</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 3,477,792</u>	 <u>\$ 4,380,075</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
REVENUES:		
Sixth Fire Protection District Contract Fees:		
Ad valorem taxes	\$ 3,600,000	\$ 3,300,000
Insurance rebate	101,522	102,046
Capital Improvements	70,552	-
Interest	2,255	2,249
Lease income	2,013	6,000
Insurance proceeds	23,715	-
Insurance dividend	280,150	113,974
Other income	25,054	44,246
Total support and revenues	<u>4,105,261</u>	<u>3,568,515</u>
EXPENSES:		
Program services:		
Firefighting services	4,717,194	4,248,526
Supporting services:		
General and administrative	217,397	217,497
Fundraising	11,895	8,678
Total expenses	<u>4,946,486</u>	<u>4,474,701</u>
CHANGE IN NET ASSETS	(841,225)	(906,186)
NET ASSETS, BEGINNING OF YEAR	<u>4,208,449</u>	<u>5,114,635</u>
NET ASSETS, END OF YEAR	<u>\$ 3,367,224</u>	<u>\$ 4,208,449</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Supporting Services</u>		
	<u>Firefighting Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:				
Accounting and legal	\$ -	\$ 18,316	\$ -	\$ 18,316
Conventions, seminars, and classes	12,700	-	-	12,700
Copy machine	-	2,071	-	2,071
Depreciation	181,074	9,530	-	190,604
Dues and subscriptions	6,109	-	-	6,109
Meals and entertainment	-	116	-	116
Fire equipment	37,608	-	-	37,608
Fuel	37,160	-	-	37,160
Public fire education	-	-	11,895	11,895
Insurance	893,668	47,035	-	940,703
Medical supplies	2,510	-	-	2,510
Miscellaneous	10,848	2,169	-	13,017
Office supplies	-	18,122	-	18,122
Payroll processing	18,549	976	-	19,525
Payroll taxes	145,873	7,677	-	153,550
Postage	1,651	87	-	1,738
Promotional	-	6,071	-	6,071
Repairs and maintenance	1,243,817	-	-	1,243,817
Radio	9,348	-	-	9,348
Retirement	78,049	4,108	-	82,157
Salaries	1,805,449	95,024	-	1,900,473
Service recognition	-	757	-	757
Telephone and utilities	101,418	5,338	-	106,756
Uniforms	8,913	-	-	8,913
Vehicle repairs	122,450	-	-	122,450
	<u>\$ 4,717,194</u>	<u>\$ 217,397</u>	<u>\$11,895</u>	<u>\$ 4,946,486</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program			Total
	Services	Supporting Services		
	Firefighting	General and	Fundraising	
	<u>Services</u>	<u>Administrative</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:				
Accounting and legal	\$ -	\$ 29,916	\$ -	\$ 29,916
Conventions, seminars, and classes	22,248	-	-	22,248
Copy machine	-	1,386	-	1,386
Depreciation	191,429	10,075	-	201,504
Dues and subscriptions	6,882	-	-	6,882
Meals and entertainment	-	183	-	183
Fire equipment	23,104	-	-	23,104
Fuel	36,187	-	-	36,187
Public fire education	-	-	8,678	8,678
Insurance	997,130	52,481	-	1,049,611
Loss on disposal of equipment	27,331	1,438	-	28,769
Medical supplies	2,640	-	-	2,640
Miscellaneous	12,167	3,349	-	15,516
Office supplies	-	8,600	-	8,600
Payroll processing	16,320	859	-	17,179
Payroll taxes	142,308	7,490	-	149,798
Postage	1,231	65	-	1,296
Promotional	-	1,346	-	1,346
Repairs and maintenance	760,268	-	-	760,268
Radio	3,600	-	-	3,600
Retirement	74,842	3,939	-	78,781
Salaries	1,729,770	91,041	-	1,820,811
Service recognition	-	144	-	144
Telephone and utilities	98,512	5,185	-	103,697
Uniforms	8,811	-	-	8,811
Vehicle repairs	93,746	-	-	93,746
TOTAL EXPENSES	<u>\$ 4,248,526</u>	<u>\$ 217,497</u>	<u>\$ 8,678</u>	<u>\$ 4,474,701</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (841,225)	\$ (906,186)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	190,604	201,504
Loss on disposal of equipment	-	28,769
Decrease (increase) in due from employee	1,300	(1,500)
(Decrease) increase in accrued expenses	(44,460)	20,393
Decrease (increase) in accounts payable	(31,320)	47,627
Increase (decrease) in insurance claims payable	14,722	(19,023)
Net cash (used) by operating activities	<u>(710,379)</u>	<u>(628,416)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on and reinvested in certificates of deposit	(1,620)	(1,053)
Purchases of property and equipment	-	(133,405)
Net cash (used) by investing activities	<u>(1,620)</u>	<u>(134,458)</u>
NET CHANGE IN CASH	(711,999)	(762,874)
CASH, BEGINNING OF YEAR	<u>2,213,915</u>	<u>2,976,790</u>
CASH, END OF YEAR	<u>\$ 1,501,917</u>	<u>\$ 2,213,916</u>
NON CASH INVESTING ACTIVITIES:		
Interest earned on and reinvested in certificates of deposit	<u>\$ 1,620</u>	<u>\$ 1,053</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NATURE OF OPERATIONS:

Harvey Volunteer Fire Company No. 2 (the Company) was organized on July 8, 1948, to provide the citizens in the Sixth Fire Protection District of Jefferson Parish with fire protection and related services. The Company has a contract with Jefferson Parish, which approved a Fire Protection Agreement between Fire Protection District No. 6 of the Parish of Jefferson, State of Louisiana, and Harvey Volunteer Fire Company No. 2. The Fire Protection Agreement was signed by the Company on May 11, 2018. The term of the Fire Protection is for ten years commencing on December 1, 2017, and ending on December 1, 2027. The Company responds to emergencies such as floods and hurricanes. The Company maintains four fire stations and has thirty-six paid employees and thirty volunteers. The majority of the Company's revenue is derived from this contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Presentation:

The financial statements are prepared on the accrual basis. Under that basis, revenues are recognized when earned and expenses are recognized when incurred.

The Company is required to report information regarding its financial position according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets. The Company only had net assets without donor restrictions as of December 31, 2019.

The statement of activities presents expenses functionally between program services for firefighting, general and administrative, and fundraising. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Revenue recognition:

Revenues from exchange transactions, primarily Jefferson Parish contract income, is recognized as the services are performed. Unconditional donations are recognized as revenue when received. Conditional donations are recognized once the condition has been met. The Company did not have any conditional or donor restricted donations during 2019.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services:

No amounts have been reflected in the financial statements for donated services. Donated services were not recorded because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time to the Company's program services.

All members of the Board of Directors serve without compensation.

Cash Flow Information:

Cash presented in the statement of cash flows represents demand deposits, cash on hand, and other highly-liquid assets at financial institutions with original maturity of three months or less as cash.

Supplemental Disclosures of Cash Flow Information:

	<u>2019</u>	<u>2018</u>
Cash paid during the year for:		
Interest	\$ -	\$ -
Taxes	-	-

Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment:

It is the fire company's policy to expense all assets purchased with appropriations from the Sixth Fire Protection District of Jefferson Parish, because they are owned by Sixth Fire Protection District of Jefferson Parish as stated in the contract between Sixth Fire Protection District of Jefferson Parish and the fire company. Assets purchased with other revenues are recorded as fixed assets when purchased.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Property and Equipment: (Continued)

Acquisitions of property and equipment in excess of \$1,000 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at acquisition cost or estimated fair value, if donated. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

Land improvements	15 years
Automobiles and trucks	5 - 15 years
Furniture and fixtures	5 - 15 years
Equipment	5 - 10 years
Building improvements	5 - 39 years

Vacation and Sick Leave:

Each full-time operator earns vacation leave as follows:

<u>Years Completed</u>	<u>Days</u>
1 - 9 years	18 days
Over 9 years	19 - 30 days

Employees earn one day of additional vacation leave for each year over nine years of service up to a maximum of 30 days after 20 years.

Each administrative employee earns vacation leave as follows:

<u>Years Completed</u>	<u>Weeks</u>
1 year	1 week
2 - 6 years	2 weeks
7 - 12 years	3 weeks
13 - 15 years	4 weeks
Over 15 years	5 weeks

Vacation leave cannot be carried forward to the next year. All must be used within the current calendar year.

All full-time, non-operations personnel are granted 15 sick days per calendar year. Sick leave for operators is governed by LRS 33:1995, which states operators shall be entitled to full pay during sickness or incapacity not brought about by his own negligence or culpable indiscretion for a period of not less than 52 weeks. There is no accrual of sick leave and no buyback program.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

New Accounting Pronouncements:

As of January 1, 2019, the Company adopted FASB Accounting Standards Update (ASU) 2014-09; *Revenue from Contracts with customers* ("ASC 606") which creates a single framework for recognizing revenue from contracts with customers that fall within its scope (see Note 2).

The Company also adopted FASB ASU 2018-08, Not-For-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU establishes standards for characterizing grants and similar contracts with resource providers as either exchange transactions or conditional contributions (see Note 2).

The Company has analyzed the provisions of FASB ASC Topic 606 and FASB ASU 2018-08 and has concluded that no changes are necessary to conform with the new standards. The adoption of ASC 606 and ASU 2018-08 did not result in a change in the prior year presentation; therefore, no cumulative effect adjustment was recorded.

2. REVENUE:

Substantially all of the fire company's public support is derived from funds provided by Jefferson Parish to provide firefighting and rescue services to the designated area of the Sixth Fire Protection District and is considered to be an exchange transaction within the scope of ASC Topic 606, *Revenue from Contracts with Customers*. Under the contract with Jefferson Parish, the Parish pays the Company monthly installments, which represent the net proceeds of millage levied annually on the assessed valuation of property in the Sixth Fire Protection District.

The amount received from the ad valorem taxes and used for operations was \$3,600,000 and \$3,300,000 for 2019 and 2018, respectively.

In addition, revenue is received from insurance rebates annually from the State of Louisiana through Jefferson Parish. The amount received is based on the number of homes within the fire district and totaled \$101,522 and \$102,046 for 2019 and 2018, respectively.

3. CASH:

At December 31, 2019 and 2018, the fire company maintained cash balances and savings accounts in several local banks. The bank and book balances as of December 31, 2019 and 2018 were as follows:

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

3. CASH (Continued):

	2019		2018	
	<u>Book Balances</u>	<u>Bank Balances</u>	<u>Book Balances</u>	<u>Bank Balances</u>
Petty cash	\$ 101	N/A	\$ 133	N/A
Checking accounts - Fidelity Homestead				
General operating fund	117,777	\$ 134,976	67,139	\$ 133,395
Payroll fund	341,878	342,113	129,603	131,785
Private fund	9,247	9,247	8,598	8,598
Insurance disbursement fund	31,743	55,031	28,927	34,936
Savings accounts - Fidelity Homestead				
Hospitalization fund	36,614	36,614	76,568	76,568
Savings fund	964,557	964,557	1,902,948	1,902,948
 Total cash	 <u>\$1,501,917</u>	 <u>\$1,542,538</u>	 <u>\$2,213,916</u>	 <u>\$2,288,230</u>

4. INVESTMENTS:

The Company had the following certificates of deposit as of December 31, 2019 and 2018:

	<u>Maturity</u>	Interest Rate		<u>Maturity</u>	Interest Rate	
		<u>2019</u>	<u>2019</u>		<u>2018</u>	<u>2018</u>
Certificate of deposit	07/18/20	1.686%	\$ 17,211	07/18/19	0.797%	\$ 17,003
Certificate of deposit	08/15/20	0.499%	9,601	08/15/19	1.735%	9,481
Certificate of deposit	07/13/20	1.686%	33,828	07/13/19	0.797%	33,411
Certificate of deposit	05/21/20	1.686%	23,909	05/21/19	0.797%	23,555
Certificate of deposit	08/07/20	1.040%	10,270	08/07/19	0.850%	10,175
Total current			<u>94,819</u>			<u>93,625</u>
Total non-current	03/05/22	1.390%	<u>30,876</u>	03/05/22	1.390%	<u>30,450</u>
 Total			 <u>\$125,695</u>			 <u>\$ 124,075</u>

The certificates of deposit are recorded at cost plus accrued interest.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

5. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Company manages its liquidity by operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As of December 31, 2019, financial assets available for expenses within one year of the statement of financial position date consisted of cash and in the amount of \$1,501,917 and investments in the amount of \$94,819. As of December 31, 2018, financial assets available for expenses within one year of the statement of financial position date consisted of cash and in the amount of \$2,213,916 and investments in the amount of \$93,625.

6. PROPERTY AND EQUIPMENT:

Below is a summary of activity in the Company's property and equipment accounts during the year ended December 31, 2019:

	Balance <u>1/1/19</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/19</u>
Land and land improvements	\$ 73,787	\$ -	\$ -	\$ 73,787
Furniture and fixtures	121,589	-	(7,954)	113,635
Automobiles and trucks	1,299,884	-	(31,530)	1,268,355
Equipment	2,029,354	-	(3,368)	2,025,986
Building improvements	1,410,502	-	-	1,410,501
	<u>4,935,116</u>	<u>-</u>	<u>(42,852)</u>	<u>4,892,264</u>
Accumulated depreciation	(2,894,532)	(190,604)	42,852	(3,042,284)
Net property and equipment	<u>\$2,040,584</u>	<u>\$ (190,604)</u>	<u>\$ -</u>	<u>\$1,849,980</u>

Below is a summary of activity in the Company's property and equipment accounts during the year ended December 31, 2018:

	Balance <u>1/1/18</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/18</u>
Land and land improvements	\$ 73,787	\$ -	\$ -	73,787
Furniture and fixtures	155,090	-	(33,501)	121,589
Automobiles and trucks	1,296,979	44,498	(41,593)	1,299,884
Equipment	1,955,175	88,907	(14,728)	2,029,354
Building improvements	1,497,734	-	(87,232)	1,410,502
	<u>4,978,765</u>	<u>133,405</u>	<u>(177,054)</u>	<u>4,935,116</u>
Accumulated depreciation	(2,841,315)	(201,504)	148,286	(2,894,532)
Net property and equipment	<u>\$2,137,450</u>	<u>\$ (68,099)</u>	<u>\$ (28,768)</u>	<u>\$2,040,584</u>

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

7. SELF-INSURANCE:

The Company has a self-insurance hospitalization plan. The self-insurance program involves co-insurance with an independent insurance company. The Company is responsible for 100% of the first \$30,000 of claims per individual up to an aggregate amount. Any claim in excess of \$30,000 or the aggregate is covered by the insurance company. Amounts charged to the Company and included in expenses for this plan were \$400,624 and \$418,854 in fiscal years 2019 and 2018, respectively. The estimated claims payable for incurred, but not reported claims, at December 31, 2019 and 2018, was \$21,433 and \$6,711, respectively. These amounts are reflected as current liabilities on the statements of financial position.

During 2019 and 2018, the Company did not pay claims in excess of its self-insurance liability.

8. INCOME TAXES:

The Company is exempt from federal and state income taxes under the Internal Revenue Code 501(c)(3). Therefore, no provision for income taxes has been included in the financial statements.

Accounting standards provide detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Under FASB ASC 740-10, an entity is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Management has evaluated the significant tax positions against the criteria established by these accounting standards and believes there are no such tax positions requiring accounting recognition. The Company is no longer subject to income tax examinations by taxing authorities for years prior to 2016.

9. DEFINED CONTRIBUTION PLAN:

The Company has a defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan allows full-time employees to defer a portion of their compensation. Voluntary pre-tax contributions for 2019 and 2018 were \$95,353 and \$96,061, respectively. Voluntary Roth 401(k) contributions for 2019 and 2018 were \$64,669 and \$52,548, respectively.

The Company will match voluntary employee contributions to the plan up to 5% of annual salaries. The amount of the employer matching contributions to the plan was \$82,157 in 2019 and \$78,781 in 2018.

10. USE OF PROPERTY AND EQUIPMENT:

Most assets used by the fire station are owned by Jefferson Parish. The Company uses these assets as part of the fire protection agreement with Jefferson Parish.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

11. EXPENSES PAID BY OTHERS:

The full-time firefighters of the Company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received does not vary based upon years of service, and is based upon state law. As these supplemental state funds are paid directly to the firefighters, and do not pass through the Company, they are not included in these financial statements.

12. OPERATING LEASE:

The Company leased land to Radiofone, Inc. for a period of 20 years. In August 2016, the original lease expired. The lease was continuing on a monthly basis, based upon the payment terms of the original lease agreement. In July 2019, Jefferson Parish took over the lease and renegotiated the contract. The new arrangement pays more money to the Company; however, the money is received by Jefferson Parish, and the parish puts a portion in the Company's general account held by Jefferson Parish.

Total rental income received during 2019 and 2018 was \$2,013 and \$6,000.

13. CONCENTRATIONS OF CREDIT RISK:

For the years ended December 31, 2019 and 2018, cash balances were maintained in financial institutions located in the New Orleans area. The balances in the cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2019 and 2018, the Company's bank balances were entirely covered by FDIC insurance or pledged securities held by Fidelity in the name of Harvey Volunteer Fire Company No. 2.

14. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through June 30, 2020 which is the date the financial statements were available to be issued. A novel strain of coronavirus was reported in New Orleans in March 2020 and continues to spread throughout the United States. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTARY INFORMATION

HARVEY VOLUNTEER FIRE CO., NO. 2
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
 TO AGENCY HEAD
FOR THE YEAR ENDED DECEMBER 31, 2019

Agency head name: Scott Berthelot, Fire Chief

<u>Purpose</u>	<u>Amount</u>
Salary	\$ -
Benefits - insurance	-
Benefits - retirement	-
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	-
Registration fees	-
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	-
	\$ -



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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

June 30, 2020

To the Board of Directors
Harvey Volunteer Fire Company No. 2

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 Harvey Volunteer Fire Company No. 2 (a Louisiana non-profit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated June 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harvey Volunteer Fire Company No. 2'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harvey Volunteer Fire Company No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Harvey Volunteer Fire Company No. 2's internal control.

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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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harvey Volunteer Fire Company No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

HARVEY VOLUNTEER FIRE COMPANY NO. 2
SUMMARY SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Harvey Volunteer Fire Company No. 2 for the year ended December 31, 2019 was unmodified.

2. Internal Control
 Significant deficiency: none noted
 Material weaknesses: none noted

3. Compliance and Other Matters
 Noncompliance material to financial statements: none noted

FINDINGS REQUIRED TO BE REPORTED UNDER *GOVERNMENT AUDITING STANDARDS* GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None noted

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF PRIOR YEAR FINDINGS:

None noted

HARVEY VOLUNTEER FIRE COMPANY NO. 2

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2019

HARVEY VOLUNTEER FIRE COMPANY NO. 2

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 30, 2020

Board of Directors
Harvey Volunteer Fire Company No. 2 and
the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by Harvey Volunteer Fire Company No. 2 (the Company) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Company's management is responsible for the C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

- 1) We obtained the entity's written policies and procedures and determined whether those written policies and procedures addressed each of the following financial/business functions, as applicable:
 - a. Budgeting, including preparing, adopting, monitoring, and amending the budget.

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- b. Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
- c. Disbursements, including processing, reviewing, and approving.
- d. Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e. Payroll/Personnel, including (1) payroll processing and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f. Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g. Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage. (e.g., determining the reasonableness of fuel card purchases).
- h. Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i. Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j. Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k. Disaster Recovery/Business Continuity, including (1) identified of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from their network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: As result of applying the above procedures, we noted that the Company does not have written policies and procedures on contracting.

Management's response: We have a policy in place regarding contracting, but it is not in written form. We are in the process of developing a written contracting policy that will address the types of services requiring contracts, the standard terms and conditions of contracts, the legal review of contracts, the approval process of contracts, and the monitoring process of contracts.

Travel and Expense Reimbursement

- 11) Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a. If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
 - b. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
 - d. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Results: No findings were noted as a result of applying the procedures.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP