

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Prairieville, Louisiana

FINANCIAL REPORT

December 31, 2014 and 2013

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Prairieville, Louisiana

TABLE OF CONTENTS

December 31, 2014 and 2013

	<u>Exhibit</u>	<u>Page</u>
INDEPENDENT AUDITORS' REPORT		1
FINANCIAL STATEMENTS		
Statements of Financial Position	A	3
Statements of Activities	B	4
Statements of Cash Flows	C	5
Notes to Financial Statements	D	6
SUPPLEMENTARY INFORMATION	<u>Schedule</u>	
Schedule of Compensation, Benefits and Other Payments to Agency Head	1	10
SPECIAL INDEPENDENT AUDITORS' REPORT		
Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		11
Schedule of Findings and Responses		13
Summary of Prior Year Findings and Responses		16



INDEPENDENT AUDITORS' REPORT

Board of Directors
Prairieville Volunteer Fire Department, Inc.
Prairieville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of **PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.** (a non-profit organization) (Department), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets and cash flows for the year 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Department as of December 31, 2014 and 2013, respectively, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

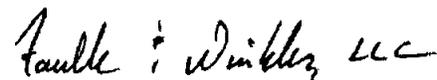
Other Matters

Other Information

Our audit was 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 26, 2015, 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* in considering the Department's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana
June 26, 2015

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Prairieville, Louisiana

STATEMENTS OF FINANCIAL POSITION

December 31, 2014 and 2013

	2014	2013
ASSETS		
CURRENT		
Cash	\$ 354,135	\$ 374,679
Investments - certificates of deposit	80,438	80,764
Due from Ascension Parish Council	34,782	35,939
Total current assets	469,355	491,382
PROPERTY - net of accumulated depreciation	130,904	94,513
Total assets	\$ 600,259	\$ 585,895
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 7,235	\$ -
Payroll liabilities	21,552	430
Total liabilities	28,787	430
NET ASSETS - unrestricted	571,472	585,465
Total liabilities and net assets	\$ 600,259	\$ 585,895

The accompanying notes to the financial statements
are an integral part of this statement.

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Prairieville, Louisiana

STATEMENTS OF ACTIVITIES

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
REVENUES AND SUPPORT		
Support from Ascension Parish Council	\$ 409,524	\$ 412,213
State fire insurance rebate	128,912	127,842
In-kind - use of facilities	98,900	96,000
Other public support	290	6,505
Interest	<u>235</u>	<u>233</u>
 Total revenues and support	 <u>637,861</u>	 <u>642,793</u>
EXPENSES		
Salaries and related benefits	434,484	402,148
In-kind - use of facilities	98,900	96,000
Depreciation	32,219	23,245
Training	25,608	18,856
Supplies	22,705	20,024
Professional	22,158	5,632
Maintenance	8,144	5,285
Office supplies	3,264	1,967
Other	<u>4,372</u>	<u>12,126</u>
 Total expenses	 <u>651,854</u>	 <u>585,283</u>
 Increase (decrease) in net assets	 (13,993)	 57,510
NET ASSETS		
Beginning of year	<u>585,465</u>	<u>527,955</u>
 End of year	 <u>\$ 571,472</u>	 <u>\$ 585,465</u>

The accompanying notes to the financial statements
are an integral part of this statement.

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Prairieville, Louisiana

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (13,993)	\$ 57,510
Adjustments for non-cash items:		
Depreciation	32,219	23,245
Changes in operating assets and liabilities:		
Decrease (increase) in receivables and other assets	1,483	(4,620)
Increase (decrease) accounts payable and payroll liabilities	<u>28,357</u>	<u>(15,780)</u>
Net cash provided by operating activities	48,066	60,355
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(68,610)</u>	<u>(44,848)</u>
Net increase (decrease) in cash	(20,544)	15,507
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>374,679</u>	<u>359,172</u>
End of year	<u>\$ 354,135</u>	<u>\$ 374,679</u>

The accompanying notes to the financial statements
are an integral part of this statement.

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Prairieville, Louisiana

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Prairieville Volunteer Fire Department, Inc. (Department) is a non-profit corporation providing fire protection, emergency medical service, and hazardous materials handling to the citizens of Fire Protection District No. 3 in Ascension Parish.

Basis of accounting

The Department's accounts are maintained on the accrual basis. The significant accounting policies are described below to enhance the usefulness of the financial statements.

The Department reports information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Department does not have any temporarily or permanently restricted net assets at December 31, 2014 and 2013.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures of the financial statements. Actual results could differ from those estimates. Estimates are used primarily when accounting for depreciation and in-kind revenues and expenses for use of facilities.

Income taxes

The Department is a not-for-profit organization that is exempt from income taxes under Section 501(c)(4) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

The Department follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the Department believes it has no material uncertain tax positions and, accordingly, it has not recognized any liability for unrecognized tax benefits. The Department's open audit periods are 2011 through 2014.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

The Department is primarily funded by an allocation of dedicated sales tax proceeds. Supplementary funding is provided by insurance rebates and donations solicited from the general public, local businesses, and civic organizations, which are recognized as received.

Cash and cash equivalents

For purposes of the statement of cash flows, the Department considers cash in bank accounts as cash. Cash equivalents include investments with original maturities of three months or less. The Department has no cash equivalents at December 31, 2014 and 2013.

Investment valuation and income recognition

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value which provides a fair value hierarchy that prioritizes the sources of pricing information (inputs) to valuation techniques used to measure fair value. The highest priority is given to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are described as follows:

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Department has the ability to access. The Department does not have any level 1 inputs at December 31, 2014 and 2013.

Level 2 – Inputs including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs that are unobservable and significant to the fair value measurement. The Department does not have any Level 3 inputs at December 31, 2014 and 2013.

Certificates of deposit are recorded at cost, which approximates fair market value using level 2 inputs.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due from Ascension Parish Council (APC)

Amounts due from APC are stated at the amount management expects to collect and consists of amounts reimbursable for payroll related expenses and benefits.

Fair value of financial instruments

The carrying value of cash, due from APC and liabilities approximates fair value due to the short-term maturity of these instruments. Financial instruments are not held for trading purposes.

Property and depreciation

Equipment is recorded at cost. Depreciation is computed using the straight-line method over the estimated service lives of the assets.

Subsequent events

In preparing the financial statements, the Department has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

NOTE 2 - PROPERTY

A summary of property, related service lives, and accumulated depreciation at December 31, 2014 and 2013, is as follows:

<u>Description</u>	<u>Service Lives</u>	<u>2014</u>	<u>2013</u>
Fire equipment	5 years	\$ 116,020	\$ 102,286
Furniture and fixtures	5 years	37,634	37,633
Leasehold improvements	15 years	65,072	10,197
Other equipment	5 - 7 years	<u>14,055</u>	<u>14,055</u>
Total		232,781	164,171
Less accumulated depreciation		<u>(101,877)</u>	<u>(69,658)</u>
Net		<u>\$ 130,904</u>	<u>\$ 94,513</u>

Depreciation expense was \$32,219 and \$23,245 for 2014 and 2013, respectively.

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Department typically maintains cash and cash equivalents in local banks that may, at times, exceed the FDIC limits. Management believes that this risk is limited.

NOTE 4 - RELATED PARTY TRANSACTIONS/ ECONOMIC DEPENDENCY

Since the Department provides a service that would otherwise be provided by APC. APC provided financial support to the Department of \$409,524 and \$412,213 for 2014 and 2013, respectively. Additionally, APC contributed the use of facilities and equipment used by the Department. The value of this contributed support has been recognized \$98,900 and \$96,000 for 2014 and 2013.

As the Department derives significant support from APC, the loss of which would have a material adverse effect. Revenue derived from APC accounted for approximately 77% and 76% of total revenue in years 2014 and 2013, respectively.

NOTE 5 - DEFERRED COMPENSATION PLAN

As of January 1, 2014, the Department began offering its employees a defined contribution plan (the Plan) created in accordance with Internal Revenue Code Section 457. The plan is administered by Nationwide Retirement Solutions, Inc. (Nationwide), who is the trustee of the Plan. The Plan, mandatory for all employees, permits them to defer a portion of their salary to future years. The deferred compensation is not available to employees until termination, retirement, death, or an unforeseeable emergency. In accordance with the amended provisions of the Internal Revenue Code, all amounts deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, are solely the property and rights of the participants and their beneficiaries.

Under this program, employees must defer 4% of their wages and the Department contributes a matching contribution of 4%. For the year ended December 31, 2014, employer contributions totaled \$15,500.

NOTE 6 - PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2013, in-kind use of facility revenue and expense was determined to be understated as a result of recognizing one of four donated fire stations the Department utilized which is owned by the Parish. A prior period adjustment of \$72,000 was recorded to recognize the three additional fire stations used by the department. This adjustment has no effect on net assets.

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

Prairieville, Louisiana

**SCHEDULE OF COMPENSATION, BENEFITS AND
OTHER PAYMENTS TO AGENCY HEAD**

December 31, 2014

Agency Head: Mark Stewart

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 0.00
Benefits - insurance	0.00
Benefits - retirement	0.00
Car allowance	0.00
Vehicle provided by government	0.00
Per diem	0.00
Reimbursements	0.00
Travel	718.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	0.00
Unvouchered expenses	0.00
Special meals	0.00
	<u>\$ 718.00</u>

SPECIAL INDEPENDENT AUDITORS' REPORT



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

Board of Directors
Prairieville Volunteer Fire Department, Inc.
Prairieville, Louisiana

We have audited, 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, the financial statements of **PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC. (DEPARTMENT)**, which comprise the statement of financial position as of December 31, 2014, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2015

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

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. We consider the deficiency described in the accompanying schedule of findings and responses as items 2014-1 and 2014-3 to be material weaknesses.

(Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2014-2 to be a significant deficiency.

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 Department's Response to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Board of Directors and management, the Louisiana Legislative Auditor, and federal and state agencies, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

Faulk & Willer, LLC

Certified Public Accountants

Baton Rouge, Louisiana
June 26, 2015

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2014

1) Summary of Auditor's Results:

A) The type of report issued on the financial statements: **Unqualified opinion.**

B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2014-2.**

Material weaknesses: **2014-1 and 2014-3.**

C) Noncompliance which is material to the financial statements: **2014-3.**

2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: 2014-1, 2014-2 and 2014-3.

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

SUMMARY OF FINDINGS AND RESPONSES

For the year ended December 31, 2014

3) FINDINGS – FINANCIAL STATEMENT AUDIT

2014-1 Preparation of Financial Statements and Financial Oversight

Observation: The Department relies on its auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing standards, the auditors cannot be considered part of the Department's internal control structure; however, design of the internal control structure does not otherwise include procedures to prepare external financial statements and related disclosures in conformity with U.S. generally accepted accounting principles.

Additionally, management monitors its finances monthly by reviewing cash balance reports and cash disbursements reports. While these reports are important, they do not provide management with disclosure of the Department's financial position.

Finally, during the audit of the financial statements, entries were made to adjust the accounts for the 2014 financial statements that increased net assets by \$94,671. Significant adjustments were made as follows:

- To accrue vendor payables not paid in 2014, negatively affecting the change in net assets by \$7,235.
- To adjust the balance of deferred compensation payable, positively affecting the change in net assets by \$27,072.
- To adjust payroll liabilities to actual, positively affecting the change in net assets by \$41,627.
- To capitalize purchases of fixed assets and record related depreciation expense, positively affecting the change in net assets by \$36,390
- Immaterial adjustments in total negatively affected the change in net assets by \$3,183.

Recommendation: Since the Department is satisfied with using its auditing firm to prepare the external financial statements and understands that this matter will continue to be reported, therefore no change is recommended. In regards to the Department's monthly financial reporting, we recommend that management review a basic financial statement that incorporates revenues along with expenses. Additionally, management should seek the assistance of a certified public accountant to review its internally prepared financial statements for reasonableness and accuracy on a monthly basis to minimize year-end adjustments.

Management's corrective action plan: Management understands that this deficiency results from professional standards that have been adopted by the accounting profession. However, the Department will continue to use the auditing firm to prepare external financial statements.

Additionally, the Department intends to resolve the matters related to their financial statements during the 2015 fiscal year, to include training on the accounting processing program to produce more informative and accurate monthly reports.

2014-2 Lack of Segregation of Duties

Observation: The segregation of duties is not sufficient to have effective internal control over financial reporting, which is due to the limited number of employees involved in the accounting process. Personnel responsible for preparing and approving transactions also have the responsibility for recording and reconciling transactions in the accounting records.

Recommendation: We recommend that management continue to delegate responsibilities to other administrative staff as their level of competency increases to enhance internal control through segregation of duties. Specifically, we recommend the Department implement or continue the following procedures:

- Review of bank statements, including cancelled checks, by a board member and/or a member of management who is independent of the preparation of disbursements and bank reconciliation processes,
- Review of bank reconciliations by a board member who is independent of the reconciliation process,
- Review of monthly budget to actual reports by the Board,
- Purchase of a fidelity bond,
- Review of all journal entries recorded in the accounting system.

Management's corrective action plan: Due to the size of staff of the Department, the achievement of adequate segregation of duties is cost prohibitive. However, a member of the board of directors approves and endorses all disbursements and reviews bank reconciliations and check disbursements. Additionally, all non-payroll disbursements of the Department are required to have dual signatures.

2014-3 Timeliness of Payroll Withholding Remittance

Observation: The Department has not filed state payroll tax returns or remitted employee state income tax withholdings totaling \$14,900 since October of 2013. Additionally, deferred compensation withholdings were not remitted to the custodian of the deferred compensation plan within seven business days of the withholding for 20 of 24 payroll periods.

Recommendation: The Department should file all required payroll tax returns within the guidelines of state, federal and local regulations. Additionally, the Department should remit all payroll withholdings to the proper agency or custodian immediately.

Management's corrective action plan: Management intends to provide training and other resources to the Department's employees responsible for payroll administration to ensure that payroll related transactions are being processed timely and within the laws and regulations governing these matters.

PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

SUMMARY OF PRIOR YEAR FINDINGS AND RESPONSES

For the year ended December 31, 2014

2013-1 Preparation of Financial Statements and Financial Oversight

This finding has been reclassified as 2014-1.

2013-2 Lack of Segregation of Duties

This finding has been reclassified as 2014-2.

2013-3 Reconciliation of Cash Balances

This finding is considered resolved.

2013-4 Compliance with Louisiana Audit Law

This finding is considered resolved.