

FINANCIAL REPORT
MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1
DECEMBER 31, 2017 AND 2016

MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1

INDEX

DECEMBER 31, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

June 26, 2018

Board of Directors
Marrero-Harvey Volunteer Fire Company No. 1
808 MacArthur Avenue
Harvey, Louisiana 70058

Report on the Financial Statements

We have audited the accompanying financial statements of the Marrero-Harvey Volunteer Fire Company No. 1 (a Louisiana nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016, 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 audits to obtain reasonable assurance about whether the financial statements are free from 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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 the Marrero-Harvey Volunteer Fire Company No. 1 as of December 31, 2017 and 2016, and the changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary 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 or Chief Executive Officer on page 14 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, 2018, on our consideration of the Marrero-Harvey Volunteer Fire Company No. 1'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 the Marrero-Harvey Volunteer Fire Company No. 1's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS:		
Cash	\$ 4,686,268	\$ 4,629,656
Prepaid insurance	<u>25,608</u>	<u>29,071</u>
Total current assets	<u>4,711,876</u>	<u>4,658,727</u>
PROPERTY AND EQUIPMENT -		
Net of accumulated depreciation of \$2,061,467 and \$2,182,252)	<u>2,373,714</u>	<u>2,225,329</u>
 TOTAL ASSETS	 <u>\$ 7,085,590</u>	 <u>\$ 6,884,056</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 141,545	\$ 87,915
Accrued payroll and withholdings	40,354	63,355
Accrued leave	<u>78,314</u>	<u>61,949</u>
Total current liabilities	<u>260,213</u>	<u>213,219</u>
NET ASSETS:		
Unrestricted	<u>6,825,377</u>	<u>6,670,837</u>
Total net assets	<u>6,825,377</u>	<u>6,670,837</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 7,085,590</u>	 <u>\$ 6,884,056</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Unrestricted revenues and other support:		
Firefighting contract	\$ 2,400,000	\$ 2,400,000
Operating subsidy/capital improvements	-	1,047,628
Insurance rebate	55,501	51,333
Donated firefighting services	65,179	59,760
Interest	2,338	2,160
Contributions and donations	9,194	7,611
Other income	71,241	82,219
Insurance proceeds	-	8,622
Total unrestricted revenues and other support	<u>2,603,453</u>	<u>3,659,333</u>
Expenses: (Pages 5 and 6)		
Program services - firefighting	2,226,435	1,956,704
Supporting services - management and general	222,478	207,792
Total expenses	<u>2,448,913</u>	<u>2,164,496</u>
INCREASE IN UNRESTRICTED NET ASSETS	154,540	1,494,837
NET ASSETS - BEGINNING OF YEAR	<u>6,670,837</u>	<u>5,176,000</u>
NET ASSETS - END OF YEAR	<u>\$ 6,825,377</u>	<u>\$ 6,670,837</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING</u> <u>SERVICES</u>	
	<u>Firefighting</u>	<u>Management</u> <u>and General</u>	<u>Total</u>
EXPENSES:			
Accounting and legal	\$ -	\$ 12,711	\$ 12,711
Bank charges	-	850	850
Depreciation	122,297	13,589	135,886
Donated firefighting services	65,179	-	65,179
Dues and subscriptions	529	59	588
Firefighting supplies	99,231	-	99,231
Fuel	16,710	-	16,710
Insurance	382,931	42,548	425,479
Investigations	1,059	-	1,059
Loss on disposal of assets	84,731	-	84,731
Maintenance	110,908	-	110,908
Meals and consumables	6,773	-	6,773
Medical	20,142	2,238	22,380
Miscellaneous	20,894	2,322	23,217
Office supplies	-	10,269	10,269
Operating supplies	23,408	-	23,408
Payroll taxes	91,500	10,167	101,667
Radio	31,990	-	31,990
Retirement	30,978	3,442	34,420
Salaries and wages	1,088,544	120,949	1,209,493
Telephone	5,364	596	5,960
Travel	-	153	153
Utilities	<u>23,267</u>	<u>2,585</u>	<u>25,852</u>
 TOTAL	 <u>\$ 2,226,435</u>	 <u>\$ 222,478</u>	 <u>\$ 2,448,913</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>PROGRAM</u> <u>SERVICES</u>	<u>SUPPORTING</u> <u>SERVICES</u>	
	<u>Firefighting</u>	<u>Management</u> <u>and General</u>	<u>Total</u>
EXPENSES:			
Accounting and legal	\$ -	\$ 15,016	\$ 15,016
Bank charges	-	534	534
Depreciation	113,619	12,624	126,243
Donated firefighting services	59,760	-	59,760
Dues and subscriptions	1,092	121	1,213
Firefighting supplies	29,652	-	29,652
Fuel	13,163	-	13,163
Insurance	332,253	36,917	369,170
Investigations	171	-	171
Loss on disposal of assets	3,000	-	3,000
Maintenance	118,951	-	118,951
Meals and consumables	8,096	-	8,096
Medical	16,621	1,847	18,468
Miscellaneous	24,395	2,711	27,105
Office supplies	-	2,694	2,694
Operating supplies	11,577	-	11,577
Payroll taxes	94,581	10,509	105,090
Radio	7,699	-	7,699
Retirement	27,323	3,036	30,359
Salaries and wages	1,062,920	118,102	1,181,022
Telephone	4,678	520	5,198
Travel	-	144	144
Utilities	<u>27,155</u>	<u>3,017</u>	<u>30,172</u>
 TOTAL	 <u>\$ 1,956,704</u>	 <u>\$ 207,792</u>	 <u>\$ 2,164,495</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	\$ 154,540	\$ 1,494,837
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	135,886	126,243
Loss on sale of property and equipment	84,731	3,000
(Increase) decrease in operating assets:		
Accounts receivable	-	20,000
Prepaid expenses	3,463	(9,491)
Increase (decrease) in operating liabilities:		
Accounts payable	53,630	85,360
Accrued leave	16,365	2,655
Accrued payroll and withholdings	(23,001)	10,012
Net cash provided by operating activities	<u>425,614</u>	<u>1,732,616</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(369,002)</u>	<u>(1,228,919)</u>
Net cash used in investing activities	<u>(369,002)</u>	<u>(1,228,919)</u>
NET INCREASE IN CASH	56,612	503,697
CASH - BEGINNING OF YEAR	<u>4,629,656</u>	<u>4,125,959</u>
CASH - END OF YEAR	<u>\$ 4,686,268</u>	<u>\$ 4,629,656</u>

See accompanying notes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

ORGANIZATION:

Marrero-Harvey Volunteer Fire Company No. 1 (the fire company) was established to provide firefighting and rescue services to a designated area of the Eighth Fire Protection District (a separate entity) of Jefferson Parish, Louisiana. In addition, the fire company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The fire company maintains three fire stations and has approximately 23 paid employees and 10 volunteers. The fire company's main source of revenue comes from Jefferson Parish. The current contract was adopted by Jefferson Parish Council on November 15, 2017, by resolution number 130389. The contract is for 10 years expiring on December 1, 2027.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting and Financial Statement Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The fire company's statements are presented in accordance with the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Presentation of Financial Statements for Not-for-Profit Entities*. Under ASC 958, the fire company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2017 and 2016, the fire company had only unrestricted net assets.

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

Contributions and Donated Services:

In accordance with ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

ASC 958-605 provides that the value of donated services should be recognized in financial statements, if the services require specialized skills are provided by persons possessing those skills, and the services would be purchased if they were not donated.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions and Donated Services: (Continued)

The fire company's volunteer firefighters undergo extensive specialized training, and the firefighting services would have to be purchased if the services were not provided by volunteers. Accordingly, donated firefighting services are recognized in the financial statements at estimated fair value.

Income Taxes:

The fire company is exempt from income taxes under Internal Revenue Code Section 501(c)(4) as a nonprofit organization. Accordingly, the financial statements do not reflect a provision for income taxes. The fire company's Federal Return of Organization Exempt from Income Tax (Form 990) for 2017, 2016, 2015, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

Statement of Cash Flows:

For purposes of the statement of cash flows, the fire company has defined cash as cash in banks, money market accounts, and certificates of deposit with original maturities of three months or less.

Property and Equipment:

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 historical cost, if acquisition cost is not available. 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:

Vehicles	7 - 15 years
Furniture and fixtures	5 - 10 years
Firefighting equipment	7 - 25 years
Buildings and improvements	10 - 30 years

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Accrued Leave:

Annual Leave

Employees earn and accumulate annual leave at various rates, depending on their years of service. The maximum amount of annual leave that may be accumulated in one year is 360 hours. A maximum of 216 hours of annual leave can be carried over to the next calendar year. Upon termination, employees are compensated for up to 576 hours of unused annual leave at the employee's hourly rate of pay at the time of termination.

The liability for accrued annual leave was \$78,314 and \$61,949 as of December 31, 2017 and 2016, respectively.

Sick Leave

Operators scheduled to work 50 or more hours per week earn sick leave. However, upon termination of employment for any reason, the employee will not be paid for any sick leave. Therefore, there is no accrual of sick leave recorded in the financial statements.

2. CASH:

At December 31, 2017 and 2016, the fire company maintained cash balances and savings accounts in several local banks. The bank balances and book balances as of December 31, 2017 and 2016 were as follows:

	2017		2016	
	Book <u>Balances</u>	Bank <u>Balances</u>	Book <u>Balances</u>	Bank <u>Balances</u>
Checking accounts	\$4,503,889	\$4,545,318	\$4,447,382	\$4,450,858
Savings accounts	182,379	182,367	182,274	182,274
 Total cash	 <u>\$4,686,268</u>	 <u>\$4,727,685</u>	 <u>\$4,629,656</u>	 <u>\$4,633,132</u>

The fire company's bank balances were entirely covered by FDIC insurance or pledged securities held by Capital One Bank in the name of the Marrero-Harvey Volunteer Fire Company No. 1 at December 31, 2017 and 2016, respectively.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. PROPERTY AND EQUIPMENT:

Below is a summary of activity in the fire company's property and equipment accounts during the years ended December 31, 2017 and 2016:

	2017				
	Balance <u>1/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	Completed <u>Construction</u>	Balance <u>12/31/17</u>
Land	\$ 89,218	\$ -	\$ -	\$ -	\$ 89,218
Buildings	908,109	-	(182,123)	-	725,986
Vehicles	1,634,663	-	-	-	1,634,663
Firefighting equipment	645,930	97,902	(150,031)	-	593,801
Furniture and fixtures	46,073	-	(9,248)	-	36,825
Vehicle work in progress	1,000,000	-	-	-	1,000,000
Construction in progress	83,588	271,100	-	-	354,688
	4,407,581	369,002	(341,402)	-	4,435,181
Accumulated depreciation	(2,182,252)	(135,886)	256,671	-	(2,061,467)
Net property and equipment	\$ 2,225,329	\$ 233,116	\$ (84,731)	\$ -	\$ 2,373,714
	2016				
	Balance <u>1/1/2016</u>	<u>Additions</u>	<u>Deletions</u>	Completed <u>Construction</u>	Balance <u>12/31/16</u>
Land	\$ 89,218	\$ -	\$ -	\$ -	\$ 89,218
Buildings	908,109	-	-	-	908,109
Vehicles	1,608,546	54,724	(28,607)	-	1,634,663
Firefighting equipment	555,322	90,608	-	-	645,930
Furniture and fixtures	46,073	-	-	-	46,073
Vehicle work in progress	-	1,000,000	-	-	1,000,000
Construction in progress	-	83,588	-	-	83,588
	3,207,268	1,228,920	(28,607)	-	4,407,581
Accumulated depreciation	(2,081,616)	(126,243)	25,607	-	(2,182,252)
Net property and equipment	\$ 1,125,652	\$ 1,102,677	\$ (3,000)	\$ -	\$ 2,225,329

Depreciation expense totaled \$135,886 and \$126,243 during the years ended December 31, 2017 and 2016, respectively.

Jefferson Parish owns the Station 81 building which the fire company has been allowed to use at no cost under a verbal agreement with no established termination date. Jefferson Parish also owns the 2011 Pierce Pumper E-818 and the Pierce Pumper S-819. The fire company uses the trucks as part of the contract with Jefferson Parish.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

3. PROPERTY AND EQUIPMENT: (Continued)

On September 30, 2016, the fire company entered into a Cooperative Endeavor Agreement with the Eighth Fire Protection District of Jefferson Parish, Louisiana, for the purchase of a Pierce-Arrow XT 105-foot ladder truck to be used for firefighting services to and to provide fire prevention and protection services to benefit the citizens of Jefferson Parish. The Eighth Fire Protection District of Jefferson Parish provided \$1,000,000 for the purchase of the ladder truck. A balance of \$94,902 is due when the ladder truck is delivered to the fire company. The ladder truck had not yet been delivered to the fire company as of December 31, 2017.

4. DONATED SERVICES:

Volunteer firefighters of the fire company responded to 1,291 and 1,272 calls for service during 2017 and 2016, respectively. The value of these volunteer services is computed using the minimum hourly pay for the fire company's paid personnel during the year, multiplied by an average response duration of 1.25 and 1.25 hours during 2017 and 2016, respectively, with the result multiplied by the number of volunteers per call. The minimum hourly pay was \$12.50 and \$11.50 per hour for 2017 and 2016, respectively. The hours provided by officers approximated 2,444 and 2,444 at an hourly rate of \$12.50 and \$11.50 for 2017 and 2016, respectively. The hours provided by captains and assistant chiefs approximated 1,560 and 1,560 at an hourly rate of \$12.50 and \$11.50 for 2017 and 2016, respectively. The total resulting values for volunteer firefighting services of \$65,179 and \$59,760 for the years ended December 31, 2017 and 2016, respectively, is reported as revenue and firefighting expense.

This value should be recognized as the minimum value of volunteer services, as it includes only the time volunteers were actually responding to calls for assistance. No value has been placed on overtime or downtime maintenance. The actual cost of replacing the fire company's volunteers with paid firefighters would be significantly higher.

All members of the Board of Directors serve without compensation.

5. ECONOMIC DEPENDENCY, JEFFERSON PARISH FIRE PROTECTION CONTRACT:

Substantially all of the fire company's public support is derived from funds provided by Jefferson Parish. The fire company receives one-third of certain ad valorem taxes assessed within the Eighth Fire Protection District of Jefferson Parish, as well as additional funding from sales tax and fire insurance rebates. The amount received and used for operations under this contract totaled \$2,400,000 and \$2,400,000 for the years ended December 31, 2017 and 2016, respectively. The amounts received and used for capital improvements and operating subsidy under this contract totaled \$0- and \$1,047,628 for the years ended December 31, 2017 and 2016, respectively.

The revenue received from insurance rebates totaled \$55,501 and \$51,333 for 2017 and 2016, respectively. The amount received is based on the number of homes within the fire district.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

6. RETIREMENT PLAN:

The fire company has a contributory retirement plan covering all paid employees with at least one year of service. Eligible employees must contribute 3% of their gross salary to be eligible for employer matching contributions. The fire company contributes 3% of participating employees' annual salaries. The retirement expense for the plan for the years ended December 31, 2017 and 2016, was \$34,420 and \$30,359, respectively.

7. EXPENSES PAID BY OTHERS:

The full-time firefighters of the fire 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 fire company, the funds are not included in these financial statements.

8. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

9. DATE OF MANAGEMENT'S REVIEW:

The fire company has evaluated subsequent events through June 26, 2018, the date which the financial statements were available to be issued.

In 2017 the fire company requested from the Parish a portion of the proceeds received from the BP Oil Co., Inc. settlement to aid in the construction of the new station. Jefferson Parish approved the amount in early 2018, and the fire company received \$383,402 as a final payment in April 2018.

SUPPLEMENTARY INFORMATION

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2017

Agency Head Name:

Don Robertson, Fire Chief

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 94,384
Benefits - insurance	15,350
Benefits - retirement	2,643
Per diem	536
	\$ <u>112,913</u>



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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 26, 2018

To the Board of Directors
Marrero-Harvey Volunteer Fire Company No. 1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Marrero-Harvey Volunteer Fire Company No. 1 (a Louisiana nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Marrero-Harvey Volunteer Fire Company No. 1'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 Marrero-Harvey Volunteer Fire Company No. 1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Marrero-Harvey Volunteer Fire Company No. 1'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 the Marrero-Harvey Volunteer Fire Company No. 1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Marrero-Harvey Volunteer Fire Company No. 1'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 Marrero-Harvey Volunteer Fire Company No. 1'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

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Marrero-Harvey Volunteer Fire Company No. 1 for the year ended December 31, 2017 was unmodified.

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

3. Compliance
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

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

SUMMARY OF PRIOR YEAR FINDINGS:

None noted

MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2017

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1

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INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

June 26, 2018

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Board of Directors
Marrero-Harvey Volunteer Fire Company No. 1 and
the Louisiana Legislative Auditor

We have performed the procedures enumerated below which were agreed to by Marrero-Harvey Volunteer Fire Company No. 1 (the Company) and the Louisiana Legislative Auditor, on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the year ended December 31, 2017. The Company's management is responsible for the control and compliance 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, including receiving, recording, and preparing deposits.
- 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, and (5) monitoring card usage.
- 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) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Results:

Upon applying the agreed-upon procedures above, we noted the following:

- The Company's payroll policy does not address procedures for processing payroll or reviewing and approving time and attendance records.

See management's response attached.

Board

- 2) We obtained and reviewed the board/committee minutes for the fiscal period, and:
 - a) determined whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

- b) determined whether the minutes referenced or included monthly budget-to-actual
- c) comparisons on the general fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
- d) determined whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Results:

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

Bank Reconciliations

- 3) We obtained a listing of client bank accounts from management and management's representation that the listing is complete.

Results:

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

- 4) Using the listing provided by management, we selected one-third of the entity's bank accounts on a rotating basis. For each of the bank accounts selected, we obtained bank statements and reconciliations for all months in the fiscal period and determined whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations included evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) had reviewed each bank reconciliation; and
 - c) Management had documentation reflecting that it had researched reconciling items that have been outstanding for more than six months as of the end of the fiscal period.

Results:

No findings were noted as a result of applying the procedure above.

Collections

- 5) We obtained a listing of cash/check/money order (cash) collection locations and management's representation that the listing was complete.

Results:

No findings were noted as a result of applying the procedure above.

- 6) Using the cash collection listing provided by management, we selected all of the entity's cash collection locations. For each cash location selected:
- a) We obtained existing written documentation (e.g. insurance policy, policy manual, job description) and determined whether each person responsible for collecting cash was (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) We obtained existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and determined whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who was not responsible for cash collections in the cash collection location selected.
 - c) We selected the highest dollar week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - i. Using entity collection documentation, deposit slips, and bank statements, we traced daily collections to the deposit date on the corresponding bank statement and determined whether the deposits were made within one day of collection. If deposits were not made within one day of collection, we determined the number of days from receipt to deposit for each day at each collection location.
 - ii. Using sequentially numbered receipts, system reports, or other related collection documentation, we verified that daily cash collections were completely supported by documentation and report any exceptions.

Results:

No findings were noted as a result of applying the procedure above.

- 7) We obtained existing written documentation (e.g. policy manual, written procedure) and determined whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who was not responsible for collections.

Results:

No findings were noted as a result of applying the procedure above.

Disbursements – General (excluding credit card purchases or payments)

- 8) We obtained a listing of entity disbursements from management or, alternately, obtained the general ledger and sorted/filtered for entity disbursements. We also obtained management's representation that the listing or general ledger population was complete.

Results:

No findings were noted as a result of applying the procedure above.

- 9) Using the disbursement population from agreed upon procedure number 8 above, we randomly selected 25 disbursements excluding credit card/debit card/fuel card/P-card purchases or payments. We obtained supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and determined whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Results:

Upon applying the agreed upon procedures above, we noted the following:

- No documentation of separate initiation and approval functions.
- No documentation of purchases approved by someone who did not initiate the purchase.
- No documentation that purchases were processed with an approved purchase order, receipt of goods purchased, or approved invoice.

See management's response attached.

- 10) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the person responsible for processing payments was prohibited from adding vendors to the entity's purchasing/disbursement system.

Results:

Upon applying the agreed upon procedures above, we noted the following:

- Person responsible for processing payments was not prohibited from adding vendors to the entity's purchasing/disbursement system.

See management's response attached.

- 11) Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), we determined whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Results:

Upon applying the agreed upon procedures above, we noted the following:

- Persons with signatory authority may initiate purchase

See management's response attached.

- 12) We inquired of management and observed whether the supply of unused checks was maintained in a locked location, with access restricted to those persons that do not have signatory authority, and noted any exceptions. Alternately, if the checks were electronically printed on blank check stock, we reviewed entity documentation (electronic system control documentation) and determined whether the persons with signatory authority have system access to print checks.

Results:

No findings were noted as a result of applying the procedure above.

- 13) When signature stamp or signature machine was used, we inquired of the signer whether his or her signature was maintained under his or her control or was used only with the knowledge and consent of the signer. We inquired of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed.

Results:

Upon applying the agreed upon procedures above, we noted the following:

- Signer of checks does not maintain control of the checks until mailed.

See management's response attached.

Credit Cards

- 14) We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We also obtained management's representation that the listing was complete.

Results:

No findings were noted as a result of applying the procedure above.

- 15) Using the listing prepared by management, we randomly selected one-third of the credit cards (the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. We obtained the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. We selected the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
- a) Determined whether there was evidence that the monthly statement or combined statement and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holder.
 - b) Determined whether finance charges and/or late fees were assessed on the selected statements.

Results:

No findings were noted as a result of applying the procedure above.

- 16) Using the monthly statements or combined statements selected under agreed upon procedure number 15 above, we obtained supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).
- a) For each transaction, we determined that the transaction was supported by:
 - i. An original itemized receipt (i.e., identifies precisely what was purchased).
 - ii. Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - iii. Other documentation that may be required by written policy (e.g., purchase order, written authorization).
 - b) For each transaction, we compared the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/ disbursement policies and the Louisiana Public Bid Law (i.e. transaction was a large or recurring purchase requiring the solicitation of bids or quotes) and noted any exceptions.
 - c) For each transaction, we compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.

Results:

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

Travel and Expense Reimbursement

- 17) We obtained from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sorted/filtered for travel reimbursements. We also obtained management's representation that the listing and general ledger was complete.

Results:

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

- 18) We obtained the entity's written policies related to travel and expense reimbursements. We compared the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and determined any amounts that exceed GSA rates.

Results:

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

- 19) Using the listing from agreed upon procedure number 17 above, we selected the three persons who incurred the most travel costs during the fiscal period. We obtained the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and chose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) We compared expense documentation to written policies and determined whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity did not have written policies, we compared to the GSA rates (Number 18 above) and determined each reimbursement that exceeded those rates.
 - b) We determined whether each expense was supported by:
 - i. An original itemized receipt that identified precisely what was purchased. (Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) did not require a receipt).
 - ii. Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - iii. Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

- c) We compared the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and reported any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). When the nature of the transaction precluded or obscured a comparison to the requirements of Article 7, Section 14, the practitioner reported the transaction as an exception.
- d) We determined whether each expense and related documentation 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 above.

Contracts

- 20) We obtained a listing of all contracts in effect during the fiscal period or, alternately, obtained the general ledger and sorted/filtered for contract payments. We also obtained management's representation that the listing or general ledger was complete.

Results:

No findings were noted as a result of applying the procedure above.

- 21) Using the listing above, we selected the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). We obtained the related contracts and paid invoices and:
 - a) Determined whether there was a formal/written contract that supported the services arrangement and the amount paid.
 - b) Compared each contract's detail to the Louisiana Public Bid Law or Procurement Code. We determined whether each contract was subject to the Louisiana Public Bid Law or Procurement Code and:
 - i. If yes, we obtained/ compared supporting contract documentation to legal requirements and determined whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder).
 - ii. If no, we obtained supporting contract documentation and determined whether the entity solicited quotes as a best practice.
 - c) Determined whether the contract was amended. If so, we determined the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Selected the largest payment from each of the five contracts, obtained the supporting invoice, compared the invoice to the contract terms, and determined whether the invoice and related payment complied with the terms and conditions of the contract.

- e) Obtained/reviewed contract documentation and board minutes and determined whether there was documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Results:

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

Payroll and Personnel

- 22) We obtained a listing of employees (and elected officials, if applicable) with their related salaries, and obtained management's representation that the listing was complete. We randomly selected five employees/officials, obtained their personnel files, and:

- a) Reviewed compensation paid to each employee during the fiscal period and determined whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
- b) Reviewed changes made to hourly pay rates/salaries during the fiscal period and determined whether those changes were approved in writing and in accordance with written policy.

Results:

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

- 23) We obtained attendance and leave records and randomly selected one pay period in which leave has been taken by at least one employee. Within that pay period, we randomly selected one-third of employees/officials and:

- a) Determined whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).
- b) Determined whether there was written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
- c) Determined whether there was written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Results:

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

- 24) We obtained from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list was complete. We selected the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtained the personnel files for the two employees/officials. We determined whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
- 25) We obtained supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. We determined whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Results:

No findings were noted as a result of applying the procedure above.

Ethics

This section is not applicable for nonprofit organizations.

Debt Service

This section is not applicable for nonprofit organizations.

Other

- 27) We inquired of management whether the entity had any misappropriations of public funds or assets. If so, we obtained/reviewed supporting documentation and determined whether the entity reported the misappropriation to the Legislative Auditor and the District Attorney of the parish in which the entity is domiciled.

Results:

No findings were noted as a result of applying the procedure above.

- 28) We observed and determined whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Results:

No findings were noted as a result of applying the procedure above.

- 29) When the practitioner observed or otherwise identified any exceptions regarding management's representations in the procedures above, the practitioner reported the nature of each exception.

Results:

No findings were noted as a result of applying the procedure above.

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

New Orleans, Louisiana

Marrero Harvey Vol. Fire Co. # 1

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Overall Response

Marrero-Harvey Volunteer Fire Co.# 1 has reviewed the agreed-upon procedures (AUP) report issued by our auditors, Duplantier, Hrapmann, Hogan, & Maher. The Board of Directors of Marrero Harvey Vol. Fire Co.#1 will make operational changes to better fulfill the requirements set forth by the Louisiana Legislative Auditor. Marrero Fire is looking forward to next year's AUP so we can show our positive changes.