

FINANCIAL REPORT
THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
DECEMBER 31, 2018 AND 2017

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

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INDEPENDENT AUDITOR'S REPORT

June 25, 2019

Board of Directors
Third District Volunteer Fire Department
10423 Jefferson Highway
River Ridge, Louisiana 70123

We have audited the accompanying financial statements of the Third District Volunteer Fire Department (a Louisiana nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017 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 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 Third District Volunteer Fire Department as of December 31, 2018 and 2017, 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head or chief executive officer is presented for purposes of additional analysis and is not a required part of the basic 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 25, 2019 on our consideration of the Third District Volunteer Fire Department'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 Third District Volunteer Fire Department's internal control over financial reporting and compliance.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash	\$ 1,039,254	\$ 1,653,699
Accounts receivable	17,721	8,389
Prepaid insurance	128,814	93,030
Total current assets	<u>1,185,789</u>	<u>1,755,118</u>
 PROPERTY AND EQUIPMENT (net of accumulated depreciation of \$3,852,112 and \$4,089,834)		
	4,547,686	4,766,160
Total property and equipment	<u>4,547,686</u>	<u>4,766,160</u>
 Other assets		
	472,688	449,547
TOTAL ASSETS	<u>\$ 6,206,163</u>	<u>\$ 6,970,825</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Accounts payable	\$ 17,290	\$ 22,848
Accrued expenses	83,806	69,109
Annual leave payable	137,014	106,246
Accrued pension expense	188,936	152,391
Postretirement accrued benefits	132,948	126,631
Capital lease payable	119,625	112,156
Total current liabilities	<u>679,619</u>	<u>589,381</u>
 LONG-TERM LIABILITIES:		
Postretirement accrued benefits, net of current portion	398,845	379,891
Capital lease, net of current portion	160,798	280,423
Total long-term liabilities	<u>559,643</u>	<u>660,314</u>
TOTAL LIABILITIES	<u>1,239,262</u>	<u>1,249,695</u>
 NET ASSETS:		
Without donor restrictions	4,966,901	5,721,130
Total net assets	<u>4,966,901</u>	<u>5,721,130</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,206,163</u>	<u>\$ 6,970,825</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER SUPPORT:		
Contract revenue:		
Jefferson Parish millage	\$ 2,965,992	\$ 2,059,992
Jefferson Parish capital funds	74,864	-
Jefferson Parish service charge	340,008	340,008
Insurance rebate	150,688	164,582
Interest income	700	910
Miscellaneous	44,587	49,046
	<u>3,576,839</u>	<u>2,614,538</u>
Total revenues and other support		
EXPENSES:		
Program services:		
Firefighting	4,151,664	3,020,009
Supporting services:		
General and administrative	179,404	207,661
	<u>4,331,068</u>	<u>3,227,670</u>
Total expenses		
DECREASE IN NET ASSETS	(754,229)	(613,132)
Net assets without donor restrictions - January 1	<u>5,721,130</u>	<u>6,334,262</u>
NET ASSETS WITHOUT DONOR RESTRICTIONS - DECEMBER 31	<u>\$ 4,966,901</u>	<u>\$ 5,721,130</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>General and Administrative</u>	<u>Total</u>
Beverages	\$ 9,636	\$ 298	\$ 9,934
Breathing apparatus	5,804	-	5,804
Depreciation	354,239	10,956	365,195
First aid supplies	10,632	-	10,632
Insurance	157,606	4,874	162,480
Interest	-	22,821	22,821
Legal and accounting	-	43,547	43,547
Length of Service Award Program	28,982	-	28,982
Maintenance materials	70,862	-	70,862
Major repairs and maintenance	58,123	1,798	59,921
Manpower	2,980,696	92,186	3,072,882
Miscellaneous	16,464	509	16,973
Oil and gas	36,778	-	36,778
Operating materials	32,906	-	32,906
Personal safety equipment	133,070	-	133,070
Stationery and office supplies	7,248	224	7,472
Training	18,323	-	18,323
Travel, awards and banquet	4,359	135	4,494
Uniforms	2,465	-	2,465
Utilities	66,485	2,056	68,541
Vehicle maintenance	135,520	-	135,520
Volunteer recruitment	250	-	250
Wellness program	21,216	-	21,216
	<u>4,151,664</u>	<u>179,404</u>	<u>4,331,068</u>
TOTAL	\$ <u>4,151,664</u>	\$ <u>179,404</u>	\$ <u>4,331,068</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>General and Administrative</u>	<u>Total</u>
Beverages	\$ 5,966	\$ 249	\$ 6,215
Breathing apparatus	3,903	-	3,903
Depreciation	362,533	15,106	377,639
First aid supplies	8,053	-	8,053
Insurance	140,574	5,857	146,431
Interest	-	29,824	29,824
Legal and accounting	-	63,559	63,559
Length of Service Award Program	26,456	-	26,456
Maintenance materials	60,436	-	60,436
Major repairs and maintenance	60,854	2,536	63,390
Manpower	2,087,891	86,995	2,174,886
Miscellaneous	8,989	375	9,364
Oil and gas	24,890	-	24,890
Operating materials	22,627	-	22,627
Personal safety equipment	5,435	-	5,435
Stationery and office supplies	4,871	203	5,074
Training	4,253	-	4,253
Travel, awards and banquet	6,891	287	7,178
Uniforms	445	-	445
Utilities	64,074	2,670	66,744
Vehicle maintenance	102,485	-	102,485
Volunteer recruitment	250	-	250
Wellness program	18,133	-	18,133
	<u> </u>	<u> </u>	<u> </u>
TOTAL	<u>\$ 3,020,009</u>	<u>\$ 207,661</u>	<u>\$ 3,227,670</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (754,229)	\$ (613,132)
Adjustments to reconcile increase (decrease) in net assets to cash provided by operating activities:		
Depreciation	365,195	377,639
(Increase) decrease in prepaid expenses	(35,784)	18,704
Increase in accounts receivable	(9,332)	(271)
Increase in other assets	(23,141)	(24,759)
Decrease in accounts payable	(5,558)	(42,770)
Increase in accrued expenses	14,697	240
Increase (decrease) in annual leave payable	30,768	(16,864)
Increase in postretirement accrued benefits	25,271	23,955
Increase in accrued pension expense	36,545	24,166
Net cash used in operating activities	<u>(355,568)</u>	<u>(253,092)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(146,721)</u>	<u>(13,356)</u>
Net cash used in investing activities	<u>(146,721)</u>	<u>(13,356)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on capital lease obligations	<u>(112,156)</u>	<u>(105,152)</u>
Net cash used in financing activities	<u>(112,156)</u>	<u>(105,152)</u>
NET DECREASE IN CASH	(614,445)	(371,600)
Cash at beginning of year	<u>1,653,699</u>	<u>2,025,299</u>
CASH AT END OF YEAR	<u>\$ 1,039,254</u>	<u>\$ 1,653,699</u>

See accompanying notes.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

ORGANIZATION:

The Third District Volunteer Fire Department (the fire department) was organized in 1951 and provides the citizens of the Third Fire District of Jefferson Parish with fire protection and related services. The fire department is under a 10-year contract with Jefferson Parish to provide fire protection to the Third District. The contract expires December 1, 2027. The majority of the fire department's revenue is derived from this contract. At December 31, 2018 the department was operating four stations and had approximately 67 paid employees and 38 volunteers.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting and Presentation:

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

The fire department's statements are presented in accordance with the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958-205 *Financial Statements of Not-for-Profit Organizations*. Under ASC 958, the fire department is required to report information regarding its financial position and activities according to three classes of net assets: net assets without restrictions, net assets with donor imposed restrictions, and net assets with permanent restrictions. As of December 31, 2018 and 2017 the fire department had only net assets without restrictions.

Allocation of Expenses:

The cost of providing programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses which are easily and directly associated with firefighting or general and administrative are charged directly to that functional area. Certain other expenses have been allocated to firefighting services and general and administrative based on time devoted by the fire department's staff.

Program services consists of providing firefighting services to the Third District of Jefferson Parish.

General and administrative consists of general administrative expenses incurred.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Revenue:

Substantially all of the fire department's support is derived from funds provided by Jefferson Parish. The Parish pays the fire department monthly installments which represent the net proceeds of millage levied annually on the assessed valuation of property in the Third Fire Protection District.

In addition, the fire department routinely receives revenue from the following sources:

- A) Insurance Rebates - The amount is received 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 \$150,688 and \$164,582 for 2018 and 2017, respectively.
- B) Jefferson Parish Service Charge - The fire department receives monthly installments based on the number of water meters within the fire district and totaled \$340,008 for 2018 and 2017, respectively. The assessment of the service charge was approved by public election.

Cash:

For purposes of the statement of cash flows, the fire department considers all short-term investments purchased with a maturity of three months or less to be cash equivalents. A detail of cash was as follows at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Cash on hand	\$ 360	\$ 370
Cash in banks	<u>1,038,894</u>	<u>1,653,329</u>
	<u>\$ 1,039,254</u>	<u>\$ 1,653,699</u>

Supplemental Disclosures of Cash Flow Information:

	<u>2018</u>	<u>2017</u>
Cash paid during the year for:		
Interest	\$ 22,821	\$ 29,824
Income taxes	-	-

Donated Services:

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.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services: (Continued)

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

New Accounting Pronouncement:

During the year ended December 31, 2018, the fire department adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is a change in the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with restrictions. A footnote on liquidity and availability of financial statements has also been added to the financial statements (Note 11).

The changes had the following effect on net assets at December 31, 2017:

Net Asset Class	As Originally <u>Presented</u>	After Adoption <u>of ASU 2016-14</u>
Unrestricted net assets	\$ 5,721,130	\$ -
Net assets without donor restrictions	<u>-</u>	<u>5,721,130</u>
Total Net Assets	<u>\$ 5,721,130</u>	<u>\$ 5,721,130</u>

2. PROPERTY AND EQUIPMENT:

Property and equipment with a cost in excess of \$1,000 is capitalized and depreciated over estimated useful lives ranging from five to forty years. Contributed property and equipment is recorded at fair value at the date of donation. Routine repairs and maintenance are expensed as incurred. Depreciation expense for the years ended December 31, 2018 and 2017 was \$365,195 and \$377,639, respectively. The cost and accumulated depreciation of property and equipment were as follows:

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. PROPERTY AND EQUIPMENT: (Continued)

	December 31, 2018		
	Property and Equipment - Cost	Accumulated Depreciation	Net Property and Equipment
Land	\$ 948,461	\$ -	\$ 948,461
Buildings	2,412,228	895,428	1,516,800
Firefighting equipment	723,382	488,940	234,442
Radios	315,208	311,314	3,894
Trucks and other automobiles	3,915,154	2,079,658	1,835,496
Office furniture and equipment	35,699	30,171	5,528
Computer equipment	<u>49,666</u>	<u>46,601</u>	<u>3,065</u>
TOTAL	<u>\$ 8,399,798</u>	<u>\$ 3,852,112</u>	<u>\$ 4,547,686</u>

	December 31, 2017		
	Property and Equipment - Cost	Accumulated Depreciation	Net Property and Equipment
Land	\$ 948,461	\$ -	\$ 948,461
Buildings	2,542,254	1,019,410	1,522,844
Firefighting equipment	837,359	572,187	265,172
Radios	315,208	303,100	12,108
Trucks and other automobiles	4,075,649	2,067,894	2,007,755
Office furniture and equipment	66,826	63,395	3,431
Computer equipment	<u>70,237</u>	<u>63,848</u>	<u>6,389</u>
TOTAL	<u>\$ 8,855,994</u>	<u>\$ 4,089,834</u>	<u>\$ 4,766,160</u>

In February 2011, two fire trucks were acquired under a capital lease at a cost of \$594,410 each. See note 9 for the capital lease. The assets are amortized over their estimated useful lives. Amortization of assets under capital leases is included in depreciation expense for the years 2018 and 2017. The following is an analysis of the leased assets included in property and equipment:

	<u>2018</u>	<u>2017</u>
Trucks	\$ 1,188,820	\$ 1,188,820
Less accumulated depreciation	<u>(637,432)</u>	<u>(548,178)</u>
Net book value	<u>\$ 551,388</u>	<u>\$ 640,642</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

3. INCOME TAXES:

The fire department is exempt from income taxes under the Internal Revenue Code 501(c)(3). The fire department's Federal Return of Organization Exempt from Income Tax (Form 990) for 2018, 2017, 2016, and 2015 remain open and subject to examination by taxing authorities.

4. ANNUAL LEAVE PAYABLE:

All full time employees of the Third District Volunteer Fire Department accumulate annual leave which is accrued based on years of service and the employee's current rate of pay. At termination of employment, compensation will be paid for all annual leave hours remaining on the books at the employee's straight time rate. No compensation will be paid for any sick leave remaining at termination of employment. As of December 31, 2018 and 2017, the accrued annual leave was \$137,014 and \$106,246, respectively.

5. DEFINED CONTRIBUTION PLAN:

The fire department sponsors a defined contribution plan that covers all employees who have accumulated at least 1,000 service hours annually.

Contributions to the plan are based on 12% of the gross wages paid by the fire department and the supplemental wages received from the State of Louisiana.

For the years ended December 31, 2018 and 2017, the pension expense liability was \$188,936 and \$152,391, respectively.

6. CONCENTRATION OF CREDIT RISK:

The fire department's income is derived primarily from the proceeds of an ad valorem tax millage and other funding under a contract with Jefferson Parish to support its firefighting and rescue services.

At various times during 2018 and 2017, the fire department had cash on deposit and cash equivalents in excess of FDIC insurance limits. The amount in excess of FDIC coverage at December 31, 2018 and 2017 was \$625,164 and \$1,333,498, respectively. At December 31, 2018 and 2017, the financial institution had pledged securities with market values of \$1,420,000 and \$1,800,000 at December 31, 2018 and 2017, respectively, to offset the risk of loss to the fire department.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

7. 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.

8. LENGTH OF SERVICE AWARD PROGRAM:

The fire department has a nonqualified defined benefit plan covering substantially all of its volunteers. The plan is noncontributory and is administered by a trustee. An actuarial valuation of the plan is prepared annually. The assumed interest rate used in the valuation was 4.75% for each of the years ended December 31, 2018 and 2017. Contributions to the plan by the fire department were \$25,830 and \$25,704 for 2018 and 2017, respectively. The expected contribution for 2019 is \$25,880. No plan assets are expected to be returned to the department during 2019. The amount of cash held by the insurance company to fund this plan for the years ended December 31, 2018 and 2017 was \$472,688 and \$449,547, respectively.

The benefits are based on years of volunteer service to the fire department at \$10.00 for 2018 and 2017, per month up to thirty years of service. The maximum benefit per month under this benefit formula is \$300 for 2018 and 2017. The participant vests after five years of service and is entitled to benefits at age 60. Benefits paid to plan participants were \$14,436 and \$12,060 for the years ended December 31, 2018 and 2017, respectively.

The prior service cost at adoption of the plan was \$163,983. This amount is based on \$5.00 per month per year of past service per participant up to a maximum of twenty years. This cost is being recognized over the average estimated remaining service life of the participants or twenty-six years. The amount recognized for each of the years ended December 31, 2018 and 2017 was \$6,307.

Amounts recognized in the statements of activities consist of:

	<u>2018</u>	<u>2017</u>
Service and interest cost of the current period	\$ 33,400	\$ 29,708
Investment income	(14,186)	(12,774)
Amortization of unrecognized prior service costs	6,307	6,307
Life insurance premiums	2,031	1,785
Administrative fee	<u>1,430</u>	<u>1,430</u>
Net periodic benefit cost	<u>\$ 28,982</u>	<u>\$ 26,456</u>

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

8. LENGTH OF SERVICE AWARD PROGRAM: (Continued)

The annual measurement date is December 31st for the retirement benefits. The following table provides further information about the Organization's length of service plan:

Obligations and Funded Status:

	<u>2018</u>	<u>2017</u>
Actuarial present value of accrued plan benefits for service rendered to date:		
Vested	\$ 540,336	\$ 523,343
Non-vested	<u>10,379</u>	<u>8,408</u>
	<u>\$ 550,715</u>	<u>\$ 531,751</u>
Actuarial present value of projected benefit obligation	\$ 721,109	\$ 691,901
Plan assets at fair value (included in other assets on the statements of financial position)	<u>(472,688)</u>	<u>(449,547)</u>
Plan assets in deficit of projected benefit obligation	248,421	242,354
Unrecognized prior service costs	<u>(18,922)</u>	<u>(25,229)</u>
Unfunded status	<u>\$ 229,499</u>	<u>\$ 217,125</u>
Actuarial present value of accrued benefits	\$ 550,715	\$ 531,751
Less: unrecognized prior service cost	<u>(18,922)</u>	<u>(25,229)</u>
Accumulated benefit obligation	<u>\$ 531,793</u>	<u>\$ 506,522</u>

Amounts recognized in the statements of financial position at December 31, 2018 and 2017 consist of:

	<u>2018</u>	<u>2017</u>
Noncurrent assets	\$ 472,688	\$ 449,547
Current liabilities	(132,948)	(126,631)
Noncurrent liabilities	<u>(398,845)</u>	<u>(379,891)</u>
	<u>\$ (59,105)</u>	<u>\$ (56,975)</u>

The following assumptions were used in accounting for the pension plan:

Weighted-average assumptions used to determine benefit obligations at December 31, 2018.

Discount rate	4.75%
Expected return on plan assets	4.75%

In the December 31, 2018 and 2017 actuarial valuations, the entry age normal method was used.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

9. CAPITAL LEASE OBLIGATIONS:

The capital lease consists of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Fire truck – lease payable to Regions Bank, interest at 6.5%, payable in quarterly installments of \$33,744, last payment due 2-25-2021.	\$ 280,423	\$ 392,579
Less: current portion	<u>(119,625)</u>	<u>(112,156)</u>
Total	<u>\$ 160,798</u>	<u>\$ 280,423</u>

Future minimum payments of the capital lease obligation as of December 31st are as follows:

2019	\$ 119,625
2020	127,593
2021	<u>33,205</u>
Total lease payments	<u>\$ 280,423</u>

10. EXPENSES PAID BY OTHERS:

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

11. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

At December 31, 2018 the fire department had \$1,056,975 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$1,039,254 and accounts receivable in the amount of \$17,721.

At December 31, 2017 the fire department had \$1,662,088 of financial assets available within one year of the statement of financial position date to meet cash needs for general operating expenditures, consisting of cash of \$1,653,699 and accounts receivable in the amount of \$8,389.

12. DATE OF MANAGEMENT'S REVIEW:

The fire department has evaluated subsequent events through June 25, 2019, the date which the financial statements were available to be issued.

13. RECLASSIFICATIONS:

Certain 2017 amounts have been reclassified to conform with 2018 presentation.

SUPPLEMENTARY INFORMATION

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
FOR THE YEAR ENDED DECEMBER 31, 2018

Agency head name: Brad Migliore, Fire Chief

<u>Purpose</u>	<u>Amount</u>
Reimbursements (cell phone)	\$ <u>600</u>
	\$ <u><u>600</u></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 25, 2019

To the Board of Directors
Third District Volunteer Fire Department

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 Third District Volunteer Fire Department (a Louisiana nonprofit organization), which comprise the statements of financial position as of December 31, 2018, 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 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Third District Volunteer Fire 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 Third District Volunteer Fire Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Third District Volunteer Fire Department'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 Third District Volunteer Fire Department'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 Third District Volunteer Fire Department'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 Third District Volunteer Fire Department'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 Legislature Auditor as a public document.

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
SCHEDULE OF FINDINGS
DECEMBER 31, 2018

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of the Third District Volunteer Fire Department for the year ended December 31, 2018 was unmodified.

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

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

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

NONE

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

PRIOR YEAR AUDIT FINDING:

None noted

THIRD DISTRICT VOLUNTEER FIRE DEPARTMENT

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2018

THIRD DISTRICT VOLUNTER FIRE DEPARTMENT

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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June 25, 2019

To the Board of Directors and Management of
Third District Volunteer Fire Department and
the Louisiana Legislative Auditor
10423 Jefferson Highway
River Ridge, Louisiana 70123

We have performed the procedures enumerated below, which were agreed to by the Third District Volunteer Fire Department and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-upon Procedures (SAUPs) for the year ended December 31, 2017. TDVFD's management is responsible for those 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:

- 1) Using entity documentation, report whether the person responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Results:

The person responsible for processing payments can also add and modify vendors in the purchasing system.

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Management Response:

The office manager is responsible for adding vendors to the purchasing/system. Due to the small size of the accounting function of the Company, we are not able to achieve a proper segregation of duties for the various accounting functions of the Company, including the accounts payable process. Through the implementation of our policies and procedures, we have various mitigating controls in place such as: (1) having our President review and initial all bank reconciliations; (2) requiring dual signatures on all checks; (3) requiring all purchases (excluding fixed bills such as utilities) to be accompanied by supporting documentation properly approved by the fire chief or president.

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