

FINANCIAL REPORT
HARVEY VOLUNTEER FIRE COMPANY NO. 2
DECEMBER 31, 2018 AND 2017

HARVEY VOLUNTEER FIRE COMPANY NO. 2

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DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITOR'S REPORT

June 26, 2019

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

Report on the Financial Statements

We have audited the accompanying financial statements of Harvey Volunteer Fire Company No. 2 (a Louisiana non-profit organization) which comprise the statements of financial position as of December 31, 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 organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Harvey Volunteer Fire Company No. 2 as of December 31, 2018 and 2017, and the changes in its net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of compensation, benefits, and other payments to agency head or chief executive officer on page 16 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, 2019, on our consideration of Harvey Volunteer Fire Company No. 2's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Harvey Volunteer Fire Company No. 2's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	<u>ASSETS</u>	
	<u>2018</u>	<u>2017</u>
CURRENT ASSETS:		
Cash	\$ 2,213,916	\$ 2,976,790
Investments, at cost	93,625	92,993
Due from employee	1,500	-
Total current assets	<u>2,309,041</u>	<u>3,069,783</u>
PROPERTY AND EQUIPMENT:		
Land and land improvements	73,787	73,787
Furniture and fixtures	121,589	155,090
Autos and trucks	1,299,885	1,296,980
Equipment	2,029,354	1,955,175
Building improvements	1,410,501	1,497,733
Total	<u>4,935,116</u>	<u>4,978,765</u>
Less: Accumulated depreciation	<u>2,894,532</u>	<u>2,841,315</u>
Net property and equipment	<u>2,040,584</u>	<u>2,137,450</u>
OTHER ASSETS:		
Investments, at cost	<u>30,450</u>	<u>30,030</u>
TOTAL ASSETS	<u><u>\$ 4,380,075</u></u>	<u><u>\$ 5,237,263</u></u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 79,619	\$ 31,992
Accrued expenses	85,296	64,903
Insurance claims payable	6,711	25,733
Total current liabilities	<u>171,626</u>	<u>122,628</u>
NET ASSETS:		
Without donor restrictions	<u>4,208,449</u>	<u>5,114,635</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 4,380,075</u></u>	<u><u>\$ 5,237,263</u></u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
REVENUES:		
Contract revenue:		
Jefferson Parish - Millage	\$ 3,300,000	\$ 3,300,000
Insurance rebate	102,046	111,415
Interest	2,249	1,937
Lease income	6,000	6,000
Insurance proceeds	-	18,777
Insurance dividend	113,974	124,435
Other income	44,246	28,987
Total support and revenues	3,568,515	3,591,551
EXPENSES:		
Program services:		
Firefighting services	4,248,526	3,732,292
Supporting services:		
General and administrative	217,497	212,779
Fundraising	8,678	9,681
Total expenses	4,474,701	3,954,752
INCREASE (DECREASE) IN NET ASSETS	(906,186)	(363,201)
NET ASSETS, BEGINNING OF YEAR	5,114,635	5,477,835
NET ASSETS, END OF YEAR	\$ 4,208,449	\$ 5,114,635

See accompanying notes.

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

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

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Program			Total
	Services	Supporting Services		
	<u>Firefighting</u>	<u>General and</u>	<u>Fundraising</u>	
	<u>Services</u>	<u>Administrative</u>		
EXPENSES:				
Accounting and legal	\$ -	\$ 21,161	\$ -	\$ 21,161
Bank charges	-	-	-	-
Conventions, seminars, and classes	23,304	-	-	23,304
Copy machine	-	844	-	844
Depreciation	188,063	9,898	-	197,961
Dues and subscriptions	5,143	-	-	5,143
Meals and entertainment	8	-	-	8
Fire equipment	67,906	-	-	67,906
Fuel	38,202	-	-	38,202
Public fire education	-	-	9,681	9,681
Insurance	882,388	46,441	-	928,829
Loss on disposal of equipment	20,629	1,086	-	21,715
Medical supplies	4,396	-	-	4,396
Miscellaneous	19,803	3,613	-	23,416
Office supplies	-	7,517	-	7,517
Payroll processing	16,437	865	-	17,302
Payroll taxes	147,830	7,780	-	155,610
Postage	1,666	88	-	1,754
Promotional	-	9,270	-	9,270
Repairs and maintenance	210,748	-	-	210,748
Radio	17,759	-	-	17,759
Retirement	74,106	3,900	-	78,006
Salaries	1,827,157	96,166	-	1,923,323
Telephone and utilities	78,849	4,150	-	82,999
Uniforms	21,729	-	-	21,729
Vehicle repairs	86,169	-	-	86,169
TOTAL EXPENSES	<u>\$ 3,732,292</u>	<u>\$ 212,779</u>	<u>\$ 9,681</u>	<u>\$ 3,954,752</u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
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	\$ (906,185)	\$ (363,202)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	201,504	197,961
Loss on disposal of equipment	28,769	21,715
(Increase) in due from employee	(1,500)	-
Increase in accrued expenses	20,393	30,079
Increase (decrease) in accounts payable	47,627	(3,161)
Increase (decrease) in insurance claims payable	(19,023)	14,818
Net cash provided (used) by operating activities	<u>(628,415)</u>	<u>(101,790)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest earned on and reinvested in certificates of deposit	(1,053)	(827)
Purchases of property and equipment	<u>(133,406)</u>	<u>(582,070)</u>
Net cash used in investing activities	<u>(134,459)</u>	<u>(582,897)</u>
NET CHANGE IN CASH	(762,874)	(684,687)
CASH, BEGINNING OF YEAR	<u>2,976,790</u>	<u>3,661,477</u>
CASH, END OF YEAR	<u><u>\$ 2,213,916</u></u>	<u><u>\$ 2,976,790</u></u>
NON CASH INVESTING ACTIVITIES:		
Interest earned on and reinvested in certificates of deposit	<u><u>\$ 1,053</u></u>	<u><u>\$ 828</u></u>

See accompanying notes.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

ORGANIZATION:

Harvey Volunteer Fire Company No. 2 (the Company) was organized on July 8, 1948, to provide the citizens in the Sixth Fire Protection District of Jefferson Parish with fire protection and related services. The Company has a contract with Jefferson Parish which approved a Fire Protection Agreement between Fire Protection District No. 6 of the Parish of Jefferson, State of Louisiana, and Harvey Volunteer Fire Company No. 2. The Fire Protection Agreement was signed by the Company on May 11, 2018. The term of the Fire Protection is for ten years commencing on December 1, 2017, and ending on December 1, 2027. The Company responds to emergencies such as floods and hurricanes. The Company maintains four (4) fire stations and has approximately thirty (30) paid employees and thirty (30) volunteers. The majority of the Company's revenue is derived from this contract.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

Basis of Accounting and Presentation:

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

The Company is required to report information regarding its financial position according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions. Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets are reported as reclassifications between the applicable classes of net assets. The Company only had net assets without donor restrictions as of December 31, 2018.

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

Contributions:

The Company records contributions in accordance with FASB ASC 958-605, *Revenue Recognition*. In accordance with FASB 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.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Donated Services:

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

All members of the Board of Directors serve without compensation.

Revenue:

Under the contract with Jefferson Parish, the Parish pays the Company monthly installments, which represent the net proceeds of millage levied annually on the assessed valuation of property in the Sixth Fire Protection District.

The Jefferson Parish Millage Assessment allocated to the Sixth Fire Protection District is 25 mills which was renewed in a 2009 special election. The millage renewal was for a period of ten years, beginning with the year 2010. The amount received and used for operations was \$3,300,000 and \$3,300,000 for 2018 and 2017, respectively.

In addition, revenue is received from insurance rebates annually from the State of Louisiana through Jefferson Parish. The amount received is based on the number of homes within the fire district and totaled \$102,046 and \$111,415 for 2018 and 2017, respectively.

Cash Flow Information:

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

Supplemental Disclosures of Cash Flow Information:

	<u>2018</u>	<u>2017</u>
Cash paid during the year for:		
Interest	\$ -	\$ -
Taxes	-	-

HARVEY VOLUNTEER FIRE COMPANY NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Estimates:

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

Property and Equipment:

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

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

Vacation and Sick Leave:

Each full-time operator earns vacation leave as follows:

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

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

Each administrative employee earns vacation leave as follows:

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

HARVEY VOLUNTEER FIRE COMPANY NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Vacation and Sick Leave: (Continued)

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

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

2. CASH:

At December 31, 2018 and 2017, the fire company maintained cash balances and savings accounts in several local banks. The bank and book balances as of December 31, 2018 and 2017 were as follows:

	<u>2018</u>		<u>2017</u>	
	<u>Book</u> <u>Balances</u>	<u>Bank</u> <u>Balances</u>	<u>Book</u> <u>Balances</u>	<u>Bank</u> <u>Balances</u>
Petty cash	\$ 134	N/A	\$ 96	N/A
Checking accounts - Fidelity Homestead				
General operating fund	67,139	\$ 133,395	242,678	\$ 253,817
Payroll fund	129,603	131,785	91,706	97,738
Private fund	8,598	8,598	10,112	10,112
Insurance disbursement fund	28,927	34,936	12,000	12,717
Savings accounts - Fidelity Homestead				
Hospitalization fund	76,567	76,567	26,410	26,410
Savings fund	1,902,948	1,902,948	2,593,788	2,593,788
Total cash	<u>\$2,213,916</u>	<u>\$2,288,229</u>	<u>\$2,976,790</u>	<u>\$2,994,582</u>

The interest rate on the Hospitalization fund and the Savings fund account for the years ended December 31, 2018 and 2017 was 0.05% and 0.05%, respectively.

HARVEY VOLUNTEER FIRE COMPANY NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

2. CASH: (Continued)

Concentrations of Credit Risk:

For the years ended December 31, 2018 and 2017, cash balances were maintained in financial institutions located in the New Orleans area. The balances in the cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2018 and 2017, the Company's bank balances were entirely covered by FDIC insurance or pledged securities held by Fidelity in the name of Harvey Volunteer Fire Company No. 2, respectively.

3. INVESTMENTS:

The Company had the following certificates of deposit as of December 31, 2018 and 2017:

	Interest Rate			Interest Rate		
	<u>Maturity</u>	<u>2018</u>	<u>2018</u>	<u>Maturity</u>	<u>2017</u>	<u>2017</u>
Certificate of deposit	07/18/19	0.797%	\$ 17,003	07/18/18	0.399%	\$ 16,904
Certificate of deposit	08/15/19	1.735%	9,481	08/15/18	1.193%	9,349
Certificate of deposit	07/13/19	0.797%	33,411	07/13/18	0.399%	33,216
Certificate of deposit	05/21/19	0.797%	23,555	11/21/18	0.797%	23,404
Certificate of deposit	08/07/19	0.850%	10,175	08/07/18	0.350%	10,120
Total current			<u>93,625</u>			<u>92,993</u>
Total non-current	03/05/22	1.390%	30,450	03/05/22	1.390%	30,030
Total			<u><u>\$124,075</u></u>			<u><u>\$ 123,023</u></u>

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

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS:

The Company manages its liquidity by operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. As of December 31, 2018, financial assets available for expenses within one year of the balance sheet date consisted of cash and in the amount of \$2,213,916 and investments in the amount of \$93,624. As of December 31, 2017, financial assets available for expenses within one year of the balance sheet date consisted of cash and in the amount of \$2,976,790 and investments in the amount of \$92,993.

5. PROPERTY AND EQUIPMENT:

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

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

5. PROPERTY AND EQUIPMENT: (Continued)

	Balance <u>1/1/18</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/18</u>
Land and land improvements	\$ 73,787	\$ -	\$ -	\$ 73,787
Furniture and fixtures	155,090	-	(33,501)	121,589
Auto and trucks	1,296,980	44,498	(41,593)	1,299,885
Equipment	1,955,175	88,907	(14,728)	2,029,354
Building improvements	<u>1,497,733</u>	<u>-</u>	<u>(87,232)</u>	<u>1,410,501</u>
	4,978,765	133,405	(177,054)	4,935,116
Accumulated depreciation	<u>(2,841,315)</u>	<u>(201,504)</u>	<u>148,286</u>	<u>(2,894,532)</u>
Net property and equipment	<u>\$2,137,450</u>	<u>\$ (68,099)</u>	<u>\$ (28,768)</u>	<u>\$2,040,584</u>

Depreciation expense totaled \$201,504 during the year ended December 31, 2018.

Below is a summary of activity in the Company's property and equipment accounts during the year ended December 31, 2017:

	Balance <u>1/1/17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/17</u>
Land and land improvements	\$ 73,787	\$ -	\$ -	\$ 73,787
Furniture and fixtures	151,659	6,142	(2,711)	155,090
Auto and trucks	1,271,100	44,270	(18,390)	1,296,980
Equipment	2,371,651	58,114	(474,590)	1,955,175
Building improvements	<u>1,050,738</u>	<u>473,544</u>	<u>(26,549)</u>	<u>1,497,733</u>
	4,918,935	582,070	(522,240)	4,978,765
Accumulated depreciation	<u>(3,143,879)</u>	<u>(197,961)</u>	<u>500,525</u>	<u>(2,841,315)</u>
Net property and equipment	<u>\$1,775,056</u>	<u>\$ 384,109</u>	<u>\$ (21,715)</u>	<u>\$2,137,450</u>

Depreciation expense totaled \$197,961 during the year ended December 31, 2017.

6. SELF-INSURANCE:

The Company has a self-insurance hospitalization plan. The self-insurance program involves co-insurance with an independent insurance company. The Company is responsible for 100% of the first \$30,000 of claims per individual up to an aggregate amount. Any claim in excess of \$30,000 or the aggregate is covered by the insurance company. Amounts charged to the Company and included in expenses for this plan were \$418,854 and \$410,811 in fiscal years 2018

HARVEY VOLUNTEER FIRE COMPANY NO. 2
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

6. SELF-INSURANCE:

and 2017, respectively. The estimated claims payable for incurred, but not reported claims, at December 31, 2018 and 2017, was \$6,711 and \$25,733, respectively. These amounts are reflected as current liabilities on the statements of financial position.

During 2018 and 2017, the Company did not pay claims in excess of its self-insurance liability.

7. INCOME TAXES:

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

Accounting standards provide detailed guidance for the financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an enterprise's financial statements. Under FASB ASC 740-10, an entity is required to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Management has evaluated the significant tax positions against the criteria established by these accounting standards and believes there are no such tax positions requiring accounting recognition. The Company is no longer subject to income tax examinations by taxing authorities for years prior to 2015.

8. DEFINED CONTRIBUTION PLAN:

The Company has a defined contribution plan in accordance with Internal Revenue Code Section 401(k). The plan allows full-time employees to defer a portion of their compensation. Voluntary pre-tax contributions for 2018 and 2017 were \$96,061 and \$104,195, respectively. Voluntary Roth 401(k) contributions for 2018 and 2017 were \$52,548 and \$35,575, respectively.

The Company will match voluntary employee contributions to the plan up to 5% of annual salaries. The amount of the employer matching contributions to the plan was \$78,781 in 2018 and \$78,006 in 2017.

9. USE OF PROPERTY OR EQUIPMENT:

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

10. EXPENSES PAID BY OTHERS:

The full-time firefighters of the Company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received does not vary based upon years of service, and is based upon state law. As these supplemental state funds are

HARVEY VOLUNTEER FIRE COMPANY NO. 2
 NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

10. EXPENSES PAID BY OTHERS: (Continued)

paid directly to the firefighters, and do not pass through the Company, they are not included in these financial statements.

11. ECONOMIC DEPENDENCY:

Substantially all of the Company's public support is derived from funds provided by Jefferson Parish. The Company has a contract with Jefferson Parish, under which the Company received one-third of certain ad valorem taxes assessed within the Sixth Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates. The Company recently signed a 10-year fire protection agreement with Jefferson Parish on May 18, 2018, with an effective date commencing on December 1, 2017 and ending on December 1, 2027.

12. OPERATING LEASE:

The Company leased land to Radiofone, Inc. for a period of 20 years. In August 2016, the original lease expired, and a new lease has not yet been signed. The lease is currently continuing on a month-to-month basis, based upon the payment terms of the original lease agreement.

Total rental income received during 2018 and 2017 was \$6,000 each year.

13. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated through June 26, 2019, which is the date the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

14. NEW ACCOUNTING PRONOUNCEMENT:

In 2018, the Company implemented ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The company adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changed the following aspects of the Company's financial statements.

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

Net Asset Class	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 5,114,635	\$ -
Net assets without donor restrictions	<u>-</u>	<u>5,114,635</u>
Total Net Assets	<u>\$ 5,114,635</u>	<u>\$ 5,114,635</u>

SUPPLEMENTARY INFORMATION

HARVEY VOLUNTEER FIRE CO., NO. 2
 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: Scott Berthelot, Fire Chief

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



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

June 26, 2019

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Harvey Volunteer Fire Company No. 2 (a Louisiana non-profit organization), which comprise the statement of financial position as of December 31, 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 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Harvey Volunteer Fire Company No. 2's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Harvey Volunteer Fire Company No. 2's internal control. Accordingly, we do not express an opinion on the effectiveness of Harvey Volunteer Fire Company No. 2's internal control.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Harvey Volunteer Fire Company No. 2's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

HARVEY VOLUNTEER FIRE COMPANY NO. 2
SUMMARY SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Harvey Volunteer Fire Company No. 2 for the year ended December 31, 2018 was unmodified.

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

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

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

None noted

HARVEY VOLUNTEER FIRE COMPANY NO. 2
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

SUMMARY OF PRIOR YEAR FINDINGS:

None noted

HARVEY VOLUNTEER FIRE COMPANY NO. 2

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2018

HARVEY VOLUNTEER FIRE COMPANY NO. 2

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

June 26, 2019

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

We have performed the procedures enumerated below, which were agreed to by Harvey Volunteer Fire Company No. 2 (the Company) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Company's management is responsible for the C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

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

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

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

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

Board or Finance Committees

- 2) Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a. Observe that the board/finance committee met with a quorum at least monthly or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
 - b. For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
 - c. For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

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

Bank Reconciliations

- 3) Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b. Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

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

Collection

- 4) Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

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

- 5) For each deposit site selected, we obtained a list of collection locations and management's representation that the listing was complete. We selected one collection location for each deposit site, obtained and inspected written policies and procedures relating to employee job duties at each collection location, and observed that job duties were properly segregated at each collection location such that:
 - a. Employees that are responsible for cash collections do not share cash drawers/registers.
 - b. Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
 - c. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
 - d. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Results: As result of applying the above procedures, we noted that the same employee is responsible for collecting cash and posting collection entries to the general ledger.

Management's Response: Our Administrative Secretary is responsible for the following: (1) establishing and maintaining a complete set of records and accounts, as directed by our Finance Committee; (2) receiving all funds in the name of the Company and promptly depositing funds to accounts in the Company's name; and (3) reconciling the monthly reports for all bank accounts. 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 cash collections. Through the implementation of our Standard Operating Guidelines, we have various mitigating controls in place such as: (1) having our Treasurer review and initial all bank reconciliations; (2) having our Finance Committee review receipts, at least quarterly, to ensure that all receipts are complete, adequate, and properly accounted for; and (3) having our Treasurer present financial information at our monthly board and membership meetings. Substantially all of the Company's public support is received from Jefferson Parish for certain ad valorem taxes, sales taxes, and fire insurance rebates. These public support collections are received via ACH from the Parish, so if a receipt did not appear on a bank statement, it would be noticed immediately.

- 6) Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

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

- 7) Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
- a. Observe that receipts are sequentially pre-numbered.
 - b. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
 - c. Trace the deposit slip total to the actual deposit per the bank statement.
 - d. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
 - e. Trace the actual deposit per the bank statement to the general ledger.

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

Non-Payroll Disbursements (excluding credit card purchases or payments, travel reimbursements, and petty cash purchases)

- 8) Obtain a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

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

- 9) For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:
- a. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

- b. At least two employees are involved in processing and approving payments to vendors.
- c. The employee responsible for processing payments is prohibited from adding/ modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Results: As a result of applying the above procedures, we noted that the same employee responsible for processing payments is able to add or modify vendor files and also mails the check payments to vendors.

Management's Response: Our Administrative Secretary is responsible for the payment of all company obligations via check against the Company's accounts or from petty cash funds. She is responsible for adding vendors to our purchasing/disbursement system as the Administrative Secretary is responsible for establishing and maintaining a complete set of records and accounts, as directed by our Finance Committee. 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 Standard Operating Guidelines, we have various mitigating controls in place such as: (1) having our Treasurer 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 a requisition and purchase order prior to payment; (4) not allowing purchase orders to be issued without completed requisitions, without supporting quote documentation, or without President or Finance Committee Chairperson approval; (5) requiring the Finance Committee to review disbursements, at least quarterly, to ensure that all disbursements are proper, reasonable, properly documented, and accounted for; (6) requiring at least two Finance Committee members to meet as a group and issue purchase orders at least once a month where one of the members will initial requisitions to indicate review and approval and the second member will then issue a purchase order after their own review; and (7) having our Treasurer present financial information at our monthly board and membership meetings. Only the Fire Chief, President, Vice President, Treasurer, Secretary, and Finance Committee Chairperson have the authority to sign checks. While our Administrative Secretary is not prohibited from adding vendors to our purchasing/disbursement system, all new vendors are reviewed and approved indirectly by virtue of our disbursements review and approval process. There is an assumption that the addition of a new vendor is approved or authorized by the fact that the Finance Committee is approving purchases. Additionally, two authorized check signers would also make them aware that a transaction has taken place with a new vendor by virtue of their signing of the check for a purchase from a new vendor. So, with any added vendor to our purchasing/disbursement system, the Finance Committee and two authorized check signers would have seen, approved, and signed off on the vendor.

- 10) For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:
 - a. Observe that the disbursement matched the related original invoice/billing statement.

- b. Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

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

Travel and Expense Reimbursement

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

Results: As a result of applying the above procedures, we noted that employees were reimbursed for hotel valet parking used for out of town conferences.

Management's Response: We are aware of the policy; however, in these particular instances the only option to park was valet parking in the hotel.

Ethics

- 12) Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete.
- 13) Using the 5 randomly selected employees/officials above, obtain ethics documentation from management, and:
 - a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
 - b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

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

Other

- 14) Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled
- 15) Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

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

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

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

Duplantier, Hrapmann, Hogan, & Maher, LLP

New Orleans, Louisiana