

**PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.**

Prairieville, Louisiana

**FINANCIAL REPORT**

December 31, 2013

**PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
Prairieville, Louisiana

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## INDEPENDENT AUDITORS' REPORT

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

### *Report on the Financial Statements*

We have audited the accompanying financial statements of **PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.** (a non-profit organization) (Department), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and changes in net assets and cash flows for the year then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 from material misstatement.

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

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

***Opinion***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2014, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.



Certified Public Accountants

Baton Rouge, Louisiana  
September 4, 2014

**PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
 Prairieville, Louisiana

**STATEMENT OF FINANCIAL POSITION**

December 31, 2013

(See Independent Auditors' Report)

	<b>2013</b>
<b>ASSETS</b>	
<b>CURRENT</b>	
Cash	\$ 374,679
Investments - certificates of deposit	80,764
Due from Ascension Parish Council	35,939
Total current assets	491,382
<b>PROPERTY - net of accumulated depreciation</b>	<b>94,513</b>
Total assets	<b>\$ 585,895</b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES</b>	
Payroll liabilities	\$ 430
<b>NET ASSETS - unrestricted</b>	<b>585,465</b>
Total liabilities and net assets	<b>\$ 585,895</b>

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

**PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
Prairieville, Louisiana

**STATEMENT OF ACTIVITIES**

For the years ended December 31, 2013

(See Independent Auditors' Report)

	<b>2013</b>
<b>REVENUES AND SUPPORT</b>	
Support from Ascension Parish Council	\$ 412,213
State fire insurance rebate	127,842
In-kind - use of facilities	24,000
Other public support	6,505
Interest income	233
Total revenues and support	570,793
<b>EXPENSES</b>	
Salaries and related benefits	402,148
Depreciation	23,245
In-kind - use of facilities	24,000
Supplies	20,024
Training	18,856
Professional	5,632
Maintenance	5,285
Office supplies	1,967
Other	12,126
Total expenses	513,283
Increase in net assets	57,510
<b>NET ASSETS</b>	
Beginning of year	527,955
End of year	\$ 585,465

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

**PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
Prairieville, Louisiana

**STATEMENT OF CASH FLOWS**

For the years ended December 31, 2013

(See Independent Auditors' Report)

	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 57,510
Adjustments for non-cash items:	
Depreciation	23,245
Changes in operating assets and liabilities:	
(Increase) decrease receivables, prepaid expenses, and other assets	(4,620)
(Decrease) increase accounts payable and other liabilities	(15,780)
Net cash provided by operating activities	60,355
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of fixed assets	(44,848)
Net cash used by investing activities	(44,848)
Net increase in cash	15,507
<b>CASH AND CASH EQUIVALENTS</b>	
Beginning of year	359,172
End of year	\$ 374,679

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

**PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.**  
Prairieville, Louisiana

**NOTES TO FINANCIAL STATEMENTS**

(See Independent Auditors' Report)

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Operations**

Prairieville Volunteer Fire Department, Inc. (Department) is a non-profit corporation within the meaning of Section 501(c)(4) of the Internal Revenue Code. The purpose of the Department is to provide fire protection, emergency medical service, and hazardous materials handling to the citizens of Fire Protection District #3 in Ascension Parish.

**Basis of accounting**

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

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

**Estimates**

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

**Income taxes**

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

The Department follows the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740-10, *Accounting for Uncertainty in Income Taxes*. Management of the Department believes it has no material uncertain tax positions and, accordingly it has not recognized any liability for unrecognized tax benefits. The Department's open audit periods are 2010 through 2013.



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

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

### Cash and cash equivalents

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

### Investment valuation and income recognition

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

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

Level 2 – Inputs including:

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

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

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

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

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Due from Ascension Parish Council (APC)**

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

**Fair value of financial instruments**

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

**Equipment and depreciation**

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

**NOTE 2 - PROPERTY**

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

<u>Description</u>	<u>Service Lives</u>	<u>2013</u>
Fire equipment	5 years	\$ 102,286
Furniture and fixtures	5 years	37,633
Leasehold improvements	15 years	10,197
Other equipment	5 - 7 years	<u>14,055</u>
Total		164,171
Less accumulated depreciation		<u>(69,658)</u>
Net		<u><u>\$ 94,513</u></u>

Depreciation expense was \$23,245 for 2013.

**NOTE 3 - CONCENTRATION OF CREDIT RISK**

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

**NOTE 4 - RELATED PARTY TRANSACTIONS**

Since the Department provides a service that would otherwise be provided by APC, APC provides support to the Department. The Department received \$412,213 of financial support from APC for 2013. Additionally, APC contributed the use of *facilities and equipment used by the Department*. The value of this contributed support has been recognized at the fair market value of the benefit received, which was approximately \$24,000 for 2013.

**NOTE 5 - ECONOMIC DEPENDENCY**

The Department derives a significant portion of its revenues from APC, the loss of which would have a material adverse effect. The Department also relies on APC for the use of all of its facilities and fire trucks to operate. During 2013, revenue derived from the Parish accounted for approximately 98% of total revenue.

**NOTE 6 - SUBSEQUENT EVENTS**

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



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC. (DEPARTMENT)**, which comprise the statement of financial position as of December 31, 2013, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 4, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2013-1 and 2013-3 to be material weaknesses.

(Continued)

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as item 2013-2 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2013-4.

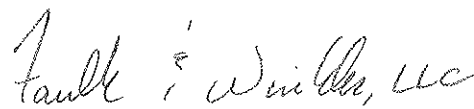
### **The Department's Response to Findings**

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

### **Purpose of this Report**

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

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



Certified Public Accountants

Baton Rouge, Louisiana  
September 4, 2014

# PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

## SCHEDULE OF FINDINGS AND RESPONSES

For the year ended December 31, 2013

### 1) Summary of Auditor's Results:

- A) The type of report issued on the financial statements: **Unqualified opinion.**
  - B) Significant deficiencies in internal control were disclosed by the audit of financial statements: **2013-2.**  
Material weaknesses: **2013-1, 2013-3.**
  - C) Noncompliance which is material to the financial statements: **2013-4.**
- 2) Findings relating to the financial statements reported in accordance with *Government Auditing Standards*: **2013-1, 2013-2, 2013-3, and 2013-4.**
- 3) Findings and responses relating to federal awards: **None.**

# PRAIRIEVILLE VOLUNTEER FIRE DEPARTMENT, INC.

## SUMMARY OF FINDINGS AND RESPONSES

For the year ended December 31, 2013

### 4) FINDINGS – FINANCIAL STATEMENT AUDIT

#### 2013-1 Preparation of Financial Statements and Financial Oversight

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

Additionally, management monitors its finances monthly by reviewing a cash balance report and a cash disbursements report. While these reports are important, they do not provide management with a full portrait of the Department's financial well-being.

Finally, during the audit of the financial statements, entries to adjust the accounts for the 2013 financial statements which increased net assets by \$490,171 were made as follows:

- To reconcile beginning net assets to prior year reported balance. The effect was an increase to beginning net assets of \$1,724,442,
- To record revenue from receipts which were recorded to accounts receivable of \$437,213, increasing the change in net assets.
- To reconcile the petty cash and payroll cash accounts in the amount of \$29,445 collectively, which positively effected the change in net assets.
- To capitalize property additions and record related depreciation expense, positively effecting the current year change in net assets by \$21,603.
- To adjust accounts payable to the supporting schedule in the amount of \$3,722, positively effecting the current year change in net assets.

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

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

Additionally, the Department intends to resolve the matters related to their financial statements during the 2014 fiscal year, to include training on the accounting processing program to produce more informative monthly reports.

### **2013-2 Lack of Segregation of Duties**

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

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

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

**Management's corrective action plan:** Management intends to pursue segregating responsibilities.

### **2013-3 Reconciliation of Cash Balances**

**Observation:** During our audit procedures, we found that monthly reconciliations were not being prepared for the Department's payroll cash account on a timely basis.

**Recommendation:** We recommend that management begin reconciling its payroll account on a monthly basis within 20 days of month's end.

**Management's corrective action plan:** Management has concluded reconciling its payroll account through July 2014. Management considers this finding resolved.

### **2013-4 Compliance with Louisiana Audit Law**

**Criteria:** Louisiana Revised Statutes 24:513 requires state and local government and quasi-public agencies to report to the Legislative Auditor annually in years in which any local audit or quasi-public agency receives any federal, state or local funding in accordance with the Louisiana Governmental Audit Guide. The reporting deadline is within six months of year end.

**Observation:** The Department did not submit its annual financial report to the Louisiana Legislative Auditor within the 6 months of its fiscal year-end as provided for by the Louisiana Audit Law.

**Recommendation:** We recommend the Department maintain compliance with the Louisiana Audit Law.



**Management's corrective action plan:** In 2013, Department had revenues in excess of \$500,000 for the first time since incorporation. This level of revenues occurred after the recording of audit journal entries increased revenues by approximately \$387,000. Due to the Department exceeding the \$500,000 revenue threshold, the Department was required to obtain an audit under the Louisiana Audit Law rather than a review, as had been required in previous years. As a result, the Department did not obtain an audit of its financial statements on a timely basis. The Department intends to comply with the Louisiana Audit Law in subsequent years to resolve this matter.