

BRIDGE CITY VOLUNTEER FIRE CO. #1
BRIDGE CITY, LOUISIANA
ANNUAL FINANCIAL REPORT
DECEMBER 31, 2013

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AUG 27 2014

TABLE OF CONTENTS

PAGE

INDEPENDENT AUDITOR'S REPORT

1-2

FINANCIAL STATEMENTS

Statement of Financial Position

3

Statement of Activities

4

Statement of Functional Expenses

5

Statement of Cash Flows

6

Notes to Financial Statements

7-10

INTERNAL CONTROL AND COMPLIANCE

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

11-12

Schedule of Findings

13-15

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INDEPENDENT AUDITOR'S REPORT

To Board of Directors of
Bridge City Volunteer Fire Co. # 1
Bridge City, Louisiana

We have audited the accompanying financial statements of Bridge City Volunteer Fire Co. # 1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, 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 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 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 auditor's judgment, including the assessment of the risk 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 Bridge City Volunteer Fire Co. # 1 as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance 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 June 12, 2014 on our consideration of Bridge City Volunteer Fire Company No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bridge City Volunteer Fire Company No. 1's internal control over financial reporting and compliance.

Uzee, Butler, Arceneux & Bowes

Harvey, Louisiana
June 12, 2014

FINANCIAL STATEMENTS

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

CURRENT ASSETS:

Cash	\$ 805,485
Prepaid insurance	<u>12,084</u>

Total current assets	817,569
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Property and equipment	<u>424,442</u>
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Total assets	<u>1,242,011</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	6,360
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Accrued payables:

Salaries	10,940
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Compensated absences	<u>11,845</u>
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Total current liabilities	29,145
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NET ASSETS:

Unrestricted	<u>1,212,866</u>
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Total Liabilities and Net Assets	\$ <u>1,242,011</u>
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See accompanying notes to financial statement.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

		<u>Unrestricted Net Assets</u>
REVENUES:		
Contract Revenue:		
Fire protection	\$ 759,416	
Fire insurance premium tax	<u>16,932</u>	\$ 776,348
Equipment Funding - Jefferson Parish		60,710
Insurance dividend (LWCC)		10,695
Interest income		355
Reimbursements - Hurricane Isaac		9,024
Fundraisers		5,868
Rentals		2,665
Miscellaneous		<u>5,209</u>
Total revenues		<u>870,874</u>
EXPENSES:		
Program services - firefighting		672,879
Supporting services - management and general		<u>34,358</u>
Total expenses		<u>707,237</u>
INCREASE IN UNRESTRICTED NET ASSETS		163,637
NET ASSETS - Beginning of year		<u>1,049,229</u>
NET ASSETS - End of year		<u>\$ 1,212,866</u>

See accompanying notes to financial statements.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 316,629	\$ -	\$ 316,629
Conventions, conferences and meetings	-	746	746
Depreciation	29,499	-	29,499
Dues and subscriptions	-	603	603
Fuel	9,908	-	9,908
Insurance:			
General	30,339	-	30,339
Group medical, disability and life	150,300	-	150,300
Worker's compensation	44,686	-	44,686
Membership activities	-	4,104	4,104
Miscellaneous	2,454	13,840	16,294
Office expense	-	6,705	6,705
Payroll taxes	28,699	-	28,699
Pension contributions	3,476	-	3,476
Professional services	-	8,360	8,360
Repairs and maintenance	22,582	-	22,582
Supplies	13,396	-	13,396
Uniforms	2,784	-	2,784
Utilities and telephone	<u>18,127</u>	<u>-</u>	<u>18,127</u>
Total	\$ <u>672,879</u>	\$ <u>34,358</u>	\$ <u>707,237</u>

See accompanying notes to financial statements.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Increase in unrestricted net assets	\$ 163,637
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	29,499
Increase in prepaid insurance	(1,945)
Decrease in accounts and other accrued payables	<u>(4,789)</u>

Net cash provided by operating activities \$ 186,402

CASH FLOWS FROM INVESTING ACTIVITIES:

Acquisition of property and equipment	<u>(19,911)</u>
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Net cash used by investing activities (19,911)

NET INCREASE IN CASH 166,491

CASH - Beginning of year 638,994

CASH - End of year \$ 805,485

SUPPLEMENTAL DISCLOSURES:

Interest incurred and paid (none capitalized)	\$ <u>67</u>
Income tax paid	\$ <u>-0-</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS December 31, 2013

ORGANIZATION

Bridge City Volunteer Fire Co. #1 (the Fire Company) was incorporated under the laws of the State of Louisiana on March 15, 1949 to provide fire protection and related services in Jefferson Parish, Louisiana in an area comprising part of Fire Protection District No. 7 (a separate entity) of Jefferson Parish. The Fire Company has one fire station located in Bridge City, Louisiana and has eight full-time paid employees and 15 volunteers. The Fire Company's main source of revenue is a fire protection contract with Jefferson Parish which expired November 30, 2013. The fire company is in the process of negotiating a new contract as of the report date and is operating on a month to month basis under the old contract.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting and Financial Statement Presentation

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

The financial statements are presented in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements for Not-for-Profit Organizations. Under this Standard, information regarding financial position and activities is reported according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As of December 31, 2013 the Fire Company had only unrestricted net assets.

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

2. Contributions and Donated Services

The Fire Company records contributions received as unrestricted, temporarily restricted, or permanently restricted depending on the existence and nature of any donor restrictions. Only unrestricted contributions were received in the year ended December 31, 2013, consisting of cash and equipment.

A significant contribution of time is made by unpaid volunteers to accomplish the purpose for which the Fire Company was established. The value of this donated service is not included in the accompanying financial statements because it is not susceptible to objective measurement or evaluation.

All members of the Board of Directors serve without compensation for their services.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2013

3. Income Tax

The Fire Company is exempt from income taxes under Internal Revenue Code Section 501(c)(4) as a nonprofit organization and accordingly no provision for income taxes is made in the financial statements.

4. Cash and Cash Equivalent

For purposes of the statement of cash flows, the Fire Company has defined cash and cash equivalents as cash in banks, money market accounts and certificates of deposit with original maturities of three months or less. There were no cash equivalents at December 31, 2013.

5. Property and Equipment

Acquisitions of property and equipment in excess of \$100 and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment required by purchase are stated at acquisition cost, or estimated historical cost if acquisition cost is not available. Equipment acquired as contributions are recorded at their estimated fair value at the time of acquisition. Property and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Building and improvements	15-50 years
Equipment	5-20 years

6. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

B. CASH

At December 31, 2013, the aggregate carrying amount of the Fire Company's three bank accounts was \$805,385 and the aggregate bank balances were \$808,359. All of the fire Company's bank accounts are in one local bank and are covered by federal depositary insurance of \$250,000 and a pledge of securities held by a federal bank which had a market value of approximately \$667,379 at December 31, 2013.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2013

C. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and depreciation activity for the year ended December 31, 2013.

	Balance 1/1/13	Additions	Deletions	Balance 12/31/13
Land	\$ 100,031	\$ -0-	\$ -0-	\$ 100,031
Building and improvements	178,535	-0-	-0-	178,535
Equipment	<u>510,404</u>	<u>19,911</u>	<u>5,971</u>	<u>524,344</u>
Total	\$ 788,970	\$ 19,911	\$ 5,971	\$ 802,910
Less accumulated depreciation:				
Building and improvements	125,591	4,406	-0-	129,997
Equipment	<u>229,349</u>	<u>25,035</u>	<u>5,913</u>	<u>248,471</u>
Total	<u>354,940</u>	<u>29,441</u>	<u>5,913</u>	<u>378,468</u>
Net, property and equipment	\$ <u>434,030</u>	\$ <u>(9,530)</u>	\$ <u>58</u>	\$ <u>424,442</u>

Fire trucks and some other assets which are being used by the Fire Company in its operations are not included in the above summary because they were purchased by Jefferson Parish with bond money and belong to the Parish.

D. RETIREMENT PLAN

In April 1997, the Fire Company adopted a SIMPLE IRA Retirement Plan for its employees. The plan is a defined contribution salary reduction plan. Under the Plan, the Fire Company matches the employees' salary contributions to the plan up to a limit of 3% of the employees' compensation for the year. The maximum annual contribution by the employee for 2013 was \$11,500 plus an additional catch-up contribution of \$2,500 for those at least age 50. For 2013 the employees' total contributions were \$7,075 and the Fire Company's matched contributions were \$3,476.

E. FIRE PROTECTION CONTRACT

Substantially all of the Fire company's support is derived from funds provided by Jefferson Parish. Under the contract with Jefferson Parish, the Fire Company receives one-fifth of the net proceeds of the property tax levied annually by Fire Protection District No. 7. The Fire Company also receives from the Parish one-fifth of the 2% fire insurance premium tax which the Parish receives from the State of Louisiana for Fire Protection District No. 7.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2013

F. CONCENTRATION OF CREDIT RISK

The Fire Company's income is derived principally from the proceeds of a property tax and other funding under a contract with Jefferson Parish to support fire protection and related services.

G. SUPPLEMENTAL PAY

The full-time firefighters receive supplemental pay from the State of Louisiana. These payments are made directly to the firefighters and do not pass through the Fire Company and are not included in the Fire Company's financial statements, except for the employer's share of the social security and medicare tax which is borne by the Fire Company.

H. EVALUATION OF SUBSEQUENT EVENTS

The Fire Company's management has evaluated subsequent events through June 12, 2014, date the financial statements were available to be issued.

INTERNAL CONTROL AND COMPLIANCE

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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**

To Board of Directors of
Bridge City Volunteer Fire Co. #1
Bridge City, Louisiana

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 Bridge City Volunteer Fire Co. #1 (a Louisiana nonprofit corporation), which comprise the statement of financial position as December 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bridge City Volunteer Fire Co. #1's internal control over financial reporting 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 Bridge City Volunteer Fire Co. #1's internal control. Accordingly, we do not express an opinion on the effectiveness of the Bridge City Volunteer Fire Co. #1's internal control.

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. 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. During our audit we identified a deficiency in internal control that we consider to be a material weakness. Also, we identified certain deficiencies in internal control that we consider to be significant deficiencies. The findings are described in the accompanying schedule.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bridge City Volunteer Fire Co. #1'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 result 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 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.

This report is intended solely for the information and use of management, the Board of Directors and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana revised Statute 25.513, this report is distributed by the Legislative Auditor as a public document.



Harvey, Louisiana
June 12, 2014

Bridge City Volunteer Fire Co. #1
Schedule of Findings
Year Ended December 31, 2013

Summary of Auditor's Results

1. Type of audit report issued – Unqualified
2. Internal control over financial reporting:

Material weakness identified – Yes, 2013-01
Significant deficiencies identified – Yes, 2013-02, 2013-03
3. Noncompliance material to financial statements – none noted

Financial Statement Findings

2013-01 Segregation of duties:

Condition and Criteria

All financial functions are performed by one employee, the fire Chief. This employee makes all purchases, prepares the payroll, writes all checks, records cash receipts and disbursements, makes the bank deposits, reconciles the bank accounts and posts the general ledger. To achieve effective internal control, the various duties relating to financial matters described above should be segregated so that no one person is in complete control. Some control is achieved to a limited extent since dual signatures are required on all checks written. This same condition existed in the previous year and was included as a finding in our report for the year ended December 31, 2012.

Cause

Bridge City Volunteer Fire Co. #1 is a small organization with a limited number of employees, mostly firefighters. To cure the deficiency in internal control described above would require the employment of additional personnel with the financial ability to perform some of the functions described above. This would not be prudent from a cost effective standpoint.

Recommendation

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with the auditor's recommendation.

Bridge City Volunteer Fire Co. #1
Schedule of Findings (continued)
Year Ended December 31, 2013

2013-02 – Year-End Journal Entries

Condition and Criteria

The Fire Company maintains its books on the cash basis of accounting therefore journal entries were required as part of the audit for financial statement misstatements related to accruals and property and equipment accounts. Generally accepted auditing standards now consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting control deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Fire Company has relied on its auditor to identify and correct such financial statement misstatements.

Recommendation

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with the auditor's recommendations.

Bridge City Volunteer Fire Co. #1
Schedule of Findings (continued)
Year Ended December 31, 2013

2013-03 -- Preparation of Financial Statements

Condition and Criteria

The Fire Company does not have any personnel with the technical ability to prepare its financial statements in accordance with generally accepted accounting principles. As is common in small organizations, the Fire Company has chosen to engage the auditor to prepare its annual financial statements. This condition is intentional by management, along with the cost effectiveness of acquiring the ability to prepare the financial statements in accordance with generally accepted accounting principles.

Cause

Recently issued Statement on Auditing Standards (SAS) 115 requires that we report the above condition as a control deficiency. The SAS does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

Recommendation

No corrective action is recommended because the cost benefit does not justify a change.

Management's Response

Management agrees with auditor's recommendation.