

**BRIDGE CITY VOLUNTEER FIRE CO. #1
BRIDGE CITY, LOUISIANA**

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2011

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 JUL 18 2012

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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 statement of financial position of Bridge City Volunteer Fire Co. #1, as of December 31, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Volunteer Fire Co.'s management. 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 of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 at December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2012 on our consideration of Bridge City Volunteer Fire Co., #1's internal control over financial reporting and 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 listed in the accompanying Table of Contents and is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Harvey, Louisiana
June 22, 2012

FINANCIAL STATEMENTS

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash	\$ 574,953
Prepaid insurance	<u>7,906</u>

Total current assets 582,859

Property and equipment 259,938

Total assets 842,797

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	26,651
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Accrued payables:

Salaries	7,036
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Compensated absences	<u>9,256</u>
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Total current liabilities 42,943

NET ASSETS:

Unrestricted	<u>799,854</u>
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Total Liabilities and Net Assets \$ 842,797

See accompanying notes to financial statement.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012

		<u>Unrestricted Net Assets</u>
REVENUES:		
Contract Revenue:		
Fire protection	\$ 775,200	
Fire insurance premium tax	<u>14,303</u>	\$ 789,503
Equipment Funding:		
Jefferson Parish	18,938	
State of Louisiana	<u>6,667</u>	25,605
Contributions:		
Cash	500	
Equipment	<u>13,964</u>	14,464
Insurance dividend (LWCC)		4,619
Fundraisers		3,637
Rentals		2,700
Miscellaneous		<u>4,133</u>
 Total revenues		 <u>844,661</u>
EXPENSES:		
Program services - firefighting		568,567
Supporting services - management and general		<u>31,807</u>
 Total expenses		 <u>600,374</u>
 INCREASE IN UNRESTRICTED NET ASSETS		 244,287
NET ASSETS - Beginning of year		<u>555,567</u>
NET ASSETS - End of year		\$ <u>799,854</u>

See accompanying notes to financial statements.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2011

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Firefighting</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 283,638	\$ -	\$ 283,638
Conventions, conferences and meetings	-	3,609	3,609
Depreciation	17,388	-	17,388
Dues and subscriptions	-	565	565
Fuel	8,892	-	8,892
Insurance:			
General	19,711	-	19,711
Group medical, disability and life	94,166	-	94,166
Worker's compensation	29,953	-	29,953
Membership activities	-	3,984	3,984
Miscellaneous	1,173	8,810	9,983
Office expense	-	6,170	6,170
Payroll taxes	25,006	-	25,006
Pension contributions	4,237	-	4,237
Professional services	-	8,669	8,669
Repairs and maintenance	32,014	-	32,014
Supplies	29,126	-	29,126
Uniforms	4,510	-	4,510
Utilities and telephone	<u>18,753</u>	<u>-</u>	<u>18,753</u>
Total	\$ <u>568,567</u>	\$ <u>31,807</u>	\$ <u>600,374</u>

See accompanying notes to financial statements.

BRIDGE CITY VOLUNTEER FIRE CO. #1
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$ 244,287	
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,388	
Increase in prepaid insurance	(878)	
Increase in accounts and other accrued payables	<u>24,157</u>	
Net cash provided by operating activities		\$ 284,954
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	<u>(105,957)</u>	
Net cash used by investing activities		<u>(105,957)</u>
NET DECREASE IN CASH		178,997
CASH - Beginning of year		<u>395,956</u>
CASH - End of year		\$ <u>574,953</u>
SUPPLEMENTAL DISCLOSURES:		
Interest incurred and paid (none capitalized)		\$ <u>65</u>
Income tax paid		\$ <u>-0-</u>

See accompanying notes to financial statements.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

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 expires November 30, 2013.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. 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, 2011 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.

3. 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, 2011, 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, 2011

4. 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, 2011.

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, 2011, the aggregate carrying amount of the Fire Company's three bank accounts was \$574,853 and the aggregate bank balances were \$575,890. 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 \$340,000 at December 31, 2011.

BRIDGE CITY VOLUNTEER FIRE CO. #1

NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2011

C. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment and depreciation activity for the year ended December 31, 2011.

	<u>Balance</u> <u>1/1/11</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/11</u>
Land	\$ 28,000	\$ 72,031	\$ -0-	\$ 100,031
Building and improvements	178,535	-0-	-0-	178,535
Equipment	<u>284,251</u>	<u>33,926</u>	<u>2,263</u>	<u>315,914</u>
Total	\$ <u>490,786</u>	\$ <u>105,957</u>	\$ <u>2,263</u>	\$ <u>594,480</u>
Less accumulated depreciation:				
Building and improvements	116,779	4,406	-0-	121,185
Equipment	<u>202,638</u>	<u>12,982</u>	<u>2,263</u>	<u>213,357</u>
Total	<u>319,417</u>	<u>17,388</u>	<u>2,263</u>	<u>334,542</u>
Net, property and equipment	\$ <u>171,369</u>	\$ <u>88,569</u>	\$ <u>-0-</u>	\$ <u>259,938</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 2011 was \$11,500 plus an additional catch-up contribution of \$2,500 for those at least age 50. For 2011 the employees' total contributions were \$8,127 and the Fire Company's matched contributions were \$4,237.

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, 2011

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 22, 2012, date the financial statements were available to be issued.

INTERNAL CONTROL AND COMPLIANCE

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**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 the financial statements of Bridge City Volunteer Fire Co. # 1 as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012. 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.

Internal Control Over Financial Reporting

Management of Bridge City Volunteer Fire Co. #1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Bridge City Volunteer Fire Co. #1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bridge City Volunteer Fire Co. #1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bridge City Volunteer Fire Co. #1's internal control over financial reporting.


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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness, as defined above. This deficiency is described in the accompanying schedule of findings. Also, we identified certain deficiencies in internal control over financial reporting which are described in the accompanying schedule of findings that we consider to be significant deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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*.

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 24.513, this report is distributed by the Legislative Auditor as a public document.


Harvey, Louisiana
June 22, 2012

Bridge City Volunteer Fire Co. #1
Schedule of Findings
Year Ended December 31, 2011

Summary of Auditor's Results

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

Material weakness identified – Yes, 2011-01
Significant deficiencies identified – Yes, 2011-02, 2011-03
3. Noncompliance material to financial statements – none noted

Financial Statement Findings

2011-01 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, 2010.

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, 2011

2011-02 – 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, 2011

2011-03 – 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.