

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1
MARRERO, 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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UZEE, BUTLER, ARCENEUX & BOWES

CERTIFIED PUBLIC ACCOUNTANTS
2067 PAXTON STREET
HARVEY, LOUISIANA 70058

(504) 347-0441
FAX (504) 347-0467

DOUGLAS L. UZEE, CPA
(1926 - 1988)
JAMES L. BUTLER, CPA
N. PAUL ARCENEUX, CPA
PATRICK J. BOWES, CPA

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To Board of Directors of
Marrero-Estelle Volunteer Fire Company No. 1
Marrero, Louisiana

We have audited the accompanying statement of financial position of Marrero-Estelle Volunteer Fire Company No. 1 (a Louisiana nonprofit corporation) 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 Marrero-Estelle Volunteer Fire Company No. 1 as of 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 6, 2012 on our consideration of Marrero-Estelle Volunteer Fire Company No. 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 the 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.

Uzee, Butler, Arceneux & Bowes

Harvey, Louisiana
June 6, 2012

FINANCIAL STATEMENTS

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 231,325
Certificates of deposit	300,541
Accrued interest receivable	<u>1,913</u>

Total current assets 533,779

OTHER ASSETS:

Property and equipment, net	1,684,094
Insurance deposit	<u>12,898</u>

Total other assets 1,696,992

Total assets \$ 2,230,771

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts payable	\$ 42,443
Accrued payables:	
Salaries	10,480
Compensated absences	<u>47,126</u>

Total current liabilities 100,049

NET ASSETS:

Unrestricted	<u>2,130,722</u>
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Total Liabilities and Net Assets \$ 2,230,771

See accompanying notes to financial statements.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

	<u>Unrestricted Net Assets</u>
REVENUES:	
Jefferson Parish:	
Fire protection contract	\$ 1,440,000
Capital millage	714,650
Equipment funding	19,411
Fire insurance premium tax	44,799
Federal grant (FEMA)	11,011
Insurance dividend (LWCC)	11,308
Interest income	10,608
Miscellaneous	<u>4,067</u>
Total revenues	<u>2,255,854</u>
EXPENSES:	
Program services - firefighting	1,464,707
Supporting services - management and general	<u>196,541</u>
Total expenses	<u>1,661,248</u>
INCREASE IN UNRESTRICTED NET ASSETS	594,606
NET ASSETS - Beginning of year	<u>1,536,116</u>
NET ASSETS - End of year	\$ <u>2,130,722</u>

See accompanying notes to financial statements.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 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	\$ 896,416	\$ 90,325	\$ 986,741
Depreciation	98,508	5,308	103,816
Fuel	17,330	-	17,330
Insurance	203,215	16,289	219,504
Miscellaneous	-	40,405	40,405
Office expense	-	5,901	5,901
Payroll taxes	73,489	6,910	80,399
Pension contributions	27,845	2,710	30,555
Professional services	-	8,615	8,615
Repairs and maintenance	106,541	7,823	114,364
Supplies	9,682	-	9,682
Uniforms	4,405	-	4,405
Utilities and telephone	<u>27,276</u>	<u>12,255</u>	<u>39,531</u>
Total	<u>\$ 1,464,707</u>	<u>\$ 196,541</u>	<u>\$ 1,661,248</u>

See accompanying notes to financial statements.

MARRERO - ESTELLE VOLUNTEER FIRE.
COMPANY NO. 1

STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in unrestricted net assets	\$	594,606
Adjustment to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		103,816
Decrease in accrued interest receivable		416
Increase in accounts and accrued payables		<u>23,200</u>
Net cash provided by operating activities	\$	722,038
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(840,144)	
Increase in certificates of deposit	(5,688)	
Increase in insurance deposit	<u>(1,156)</u>	
Net cash used by investing activities		<u>(846,988)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS		(124,950)
CASH AND CASH EQUIVALENTS - Beginning of year		<u>356,275</u>
CASH AND CASH EQUIVALENTS - End of year	\$	<u>231,325</u>
SUPPLEMENTAL DISCLOSURES:		
Interest incurred and paid	\$	<u>-0-</u>
Income tax paid	\$	<u>-0-</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

NOTES TO FINANCIAL STATEMENTS
December 31, 2011

ORGANIZATION

Marrero - Estelle Volunteer Fire Company No. 1 (the Fire Company) was incorporated under the laws of the State of Louisiana on July 25, 1951 to provide fire protection and related services in Jefferson Parish, Louisiana in an area comprising part of Fire Protection District No. 8 (a separate entity) of Jefferson Parish. The Fire Company has three fire stations located in Marrero, Louisiana and has seventeen full-time paid employees and 25 active volunteer firefighters. The Fire Company's main source of revenue is a fire protection contract with Jefferson Parish which expires May 31, 2014.

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, whereby revenues are recognized when earned and expenses are recognized when incurred.

The financial statements are presented in accordance with the Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) 958-205, Financial Statements of Not-For-Profit Organizations. Under this standard, the Fire Company is required to report information regarding its financial position and activities 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.

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.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 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)(3) as a nonprofit organization and accordingly no provision for income taxes is made in the financial statements.

4. Cash and Cash Equivalents

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.

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 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:

Building and improvements	10-40 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 AND CASH EQUIVALENTS AND CERTIFICATES OF DEPOSIT

At December 31, 2011, the aggregate carrying amount of the Fire Company's cash and cash equivalents was \$231,325 and the aggregate bank balances were \$244,779. All of the Fire Company's bank accounts are in a local bank and are insured by federal deposit insurance of \$250,000 and a pledge of securities with a market value of \$126,106 at December 31, 2011. The Fire Company's money market account of \$39,461 is uninsured. The Fire company's certificates of deposit are with a local bank and an investment banker and are fully covered by federal deposit insurance.

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 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.

	Balance <u>1/1/11</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>12/31/11</u>
Land	\$ 153,000	\$ -0-	\$ -0-	\$ 153,000
Building and improvements	898,296	68,086	-0-	966,382
Equipment	<u>1,626,057</u>	<u>772,058</u>	<u>-0-</u>	<u>2,398,115</u>
Total	<u>2,677,353</u>	<u>840,144</u>	<u>-0-</u>	<u>3,517,497</u>
Less accumulated depreciation:				
Building and improvements	527,625	25,028	-0-	552,653
Equipment	<u>1,201,962</u>	<u>78,788</u>	<u>-0-</u>	<u>1,280,750</u>
Total	<u>1,729,587</u>	<u>103,816</u>	<u>-0-</u>	<u>1,833,403</u>
Net, property and equipment	<u>\$ 947,766</u>	<u>\$ 736,328</u>	<u>\$ -0-</u>	<u>\$ 1,684,094</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

The Fire Company has 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 \$2,500 catch-up contribution for those at least age 50. For 2011 the employees' total contributions were \$76,377 and the Fire Company's matched contributions were \$29,915.

E. FIRE PROTECTION CONTRACT

Substantially all of the Fire Company's revenue is derived from funds provided by Jefferson Parish. Under the contract with Jefferson Parish, the Fire Company receives one-third of the net proceeds of the property tax levied annually by Fire Protection District No. 8. The Fire Company also receives from the Parish one-third of the 2% fire insurance premium tax which the Parish receives from the State of Louisiana for Fire Protection District No. 8. During the tax year 2011 the Parish also provided the Fire Company \$714,650 from the capital millage account and \$19,411 from the equipment funding account for the purchase of a new fire truck.

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.

**MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1**

**NOTES TO FINANCIAL STATEMENTS (continued)
December 31, 2011**

G. SUPPLEMENTAL PAY

The Fire Company's 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 6, 2012, the date the financial statements were available to be issued.

INTERNAL CONTROL AND COMPLIANCE

UZEE, BUTLER, ARCENEUX & BOWES

CERTIFIED PUBLIC ACCOUNTANTS

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HARVEY, LOUISIANA 70058

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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
Marrero-Estelle Volunteer Fire Co. No. 1
Marrero, Louisiana

We have audited the financial statements of Marrero-Estelle Volunteer Fire Company No. 1 (a Louisiana nonprofit corporation) as of and for the year ended December 31, 2011, and have issued our report thereon dated June 6, 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 Marrero-Estelle Volunteer Fire Company No. 1 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Marrero-Estelle Volunteer Fire Company No. 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 the Marrero-Estelle Volunteer Fire Company No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marrero-Estelle Volunteer Fire Company No. 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings, that we consider to be significant deficiencies in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marrero-Estelle Volunteer Fire Company No. 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.

Uzee, Butler, Arceneux & Bowes

Harvey, Louisiana
June 6, 2012

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

Schedule of Findings
Year Ended December 31, 2011

SUMMARY OF AUDITOR'S REPORTS

1. The opinion issued on our audit of the financial statements of Marrero-Estelle Volunteer Fire Co. No. 1 for the year ended December 31, 2011 is unqualified.
2. Internal Control:
Significant deficiencies: 2011-01, 2011-02
No material weaknesses were noted
3. Compliance and other matters:
No instances of noncompliance material to the financial statements were noted.

FINANCIAL STATEMENT FINDINGS

2011-01 – 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

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare the year-end journal entries and agrees with the auditor's recommendations.

MARRERO - ESTELLE VOLUNTEER FIRE
COMPANY NO. 1

Schedule of Findings - Continued
Year Ended December 31, 2011

2011-02 – 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

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 115's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies noted under SAS 115. In this case, we do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, we do not believe any corrective action is necessary.

Management's Response

Management believes that it is more prudent to use the services of its auditor to prepare its annual financial statements and agrees with auditor's recommendation.