

**GRAND ISLE
VOLUNTEER FIRE COMPANY NO. 1
(GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9
OF JEFFERSON PARISH**

**ANNUAL FINANCIAL REPORT
Year Ended December 31, 2012**

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the President and Board of
Grand Isle Volunteer Fire Company No. 1 (GIVFD)
Grand Isle, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and each major fund (i.e., the General Fund) of Grand Isle Volunteer Fire Company No. 1 ("GIVFD"), a non-profit entity d/b/a Fire Protection District No. 9 of Jefferson Parish, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise GIVFD's basic financial statements as listed in the table of contents.

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 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

My responsibility is to express opinions on these basic financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidenced about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of GIVFD as of December 31, 2012 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise GIVFD's financial statements. The individual fund statements, schedules and supplemental information are presented for purposes of additional analysis and are not a required part of the financial statements.

These individual fund statements, schedules and supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the individual fund, schedules, and supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated June 25, 2013, on my consideration of GIVFD's internal control over financial reporting and on my 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 my 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 GIVFD's internal control over financial reporting and compliance.

Paul C. River, CPA

June 25, 2013

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (“GIVFD”)
PO BOX 550
GRAND ISLE, LA 70358

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Grand Isle Volunteer Fire Company No. 1 (“GIVFD”), a non-profit entity d/b/a Fire Protection District No. 9 of Jefferson Parish, we offer readers of GIVFD’s financial statements this narrative overview and analysis of the financial activities of GIVFD for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The assets of GIVFD exceeded its liabilities at the close of the most recent fiscal year by \$680,358 (*Net Position*). Of this amount, \$439,066 or 64.5 percent is invested in capital assets, such as building, vehicles and firefighting equipment. The remaining balance of \$241,292 (*Unrestricted Net Position*) or 35.5 percent represents the amount available to meet the entity’s ongoing obligations to citizens and creditors.
- GIVFD’s total Net Position decreased by \$(122,295) or 15.2 percent during the current year because total expenses exceeded revenues by that amount.
- As of the close of the current fiscal year, GIVFD’s governmental fund (the General Fund) reported a fund balance of \$241,292, a decrease of \$(61,933) or 20.4 percent in comparison with the prior year. The primary reason for the decrease was the increase seen in payroll related costs.
- GIVFD has a cooperative agreement with the Grand Isle Volunteer Emergency Services (i.e., ambulance) Department (GIVES) for it to provide GIVES with administrative and operating support. All of the employees of GIVES were transferred to GIVFD in the prior year. GIVES paid GIVFD \$270,194 during the year under this agreement.
- GIVFD had \$117,283 in outstanding debt at year end. This amount is made up of a capital lease on the purchase of a fire truck in 2007.
- GIVFD is still feeling the effects of Hurricanes Katrina, Rita, Gustav and Ike. Project worksheets continue to be worked through and reimbursements and costs continue.
- The BP Deepwater Horizon oil rig exploded and sank in April 2010. Oil spewed into the Gulf of Mexico for months and affected the Grand Isle area. GIVFD employees participated in the incident command and the related response from the time of the spill through mid 2011. BP reimbursed GIVFD for providing fire watch services on the beach, for providing a juvenile summer program, for equipment usage, and for personnel assigned to the JP Incident Command Center. These activities concluded in mid 2011; however, they look to be renewed to a limited extent in 2013.
- While the short-term impact of the BP oil spill was positive due to the money earned during the spill response, it is unknown what long-term effects this oil spill may have on the area’s seafood or tourism industries.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to GIVFD's basic financial statements. GIVFD's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The "government-wide financial statements" are designed to provide readers with a broad overview of GIVFD's finances, in a manner similar to a private-sector business.

The "Statement of Net Position" presents information on all of GIVFD's assets and liabilities, with the difference between the two reported as *Net Position*. Over time, increases or decreases in Net Position may serve as a useful indicator of whether the financial position of GIVFD is improving or deteriorating.

The "Statement of Activities" presents information showing how the government's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements are designed to distinguish functions of GIVFD that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). It should be noted that GIVFD only has governmental activities.

The government-wide financial statements include only the financial activities of GIVFD, which are made up of the "private" account and the "public funds" account. The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements. A "fund" is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. GIVFD, because it is a "quasi-public" entity, uses fund accounting like state and local governments to ensure and demonstrate compliance with finance-related legal requirements.

GIVFD's funds can be classified into three categories: governmental funds, proprietary funds, and fiduciary funds. As discussed below, GIVFD only presents governmental funds.

Governmental funds. "Governmental funds" are used to account for essentially the same functions reported as "governmental activities" in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for "governmental funds" with similar information presented for "governmental activities" in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between "governmental fund" and "governmental activities".

GIVFD maintains only one fund (the General Fund). Information is presented in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances for the General fund.

GIVFD is a “quasi-public” entity and is not required to adopt an annual budget. Thus, a budgetary comparison statement is not shown.

The basic governmental fund financial statements can be found on pages 16 to 19 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 to 32 of this report.

Other information. Individual fund statements and schedules, which show additional detailed financial information on the General Fund, are found on pages 34 and 35. Supplementary information, which includes a Schedule of Expenditures of Federal Awards, is found on page 38.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, Net Position may serve over time as a useful indicator of a government’s financial position. In the case of GIVFD, assets exceeded liabilities by \$680,358 at December 31, 2012, a decrease of \$(122,295) or 15.2 percent.

A large portion of GIVFD’s Net Position (64.5 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, vehicles and firefighting equipment); less any related debt used to acquire those assets that is still outstanding. GIVFD used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although GIVFD’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

Below is a comparison of GIVFD’s Statement of Net Position for 2012 and 2011.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1

| | Governmental Activities | | Governmental Activities | | |
|--|----------------------------|----------------|----------------------------|------------------|-------|
| | 2012 | | 2011 | | |
| Current and other assets | \$ | 358,150 | \$ | 391,240 | |
| Capital assets | | 556,349 | | 636,860 | |
| Total assets | | <u>914,499</u> | | <u>1,028,100</u> | |
| Long-term liabilities outstanding | | 117,283 | | 137,432 | |
| Other liabilities | | 116,858 | | 88,015 | |
| Total liabilities | | <u>234,141</u> | | <u>225,447</u> | |
| Net assets: | | | | | |
| Invested in capital assets, net of related debt | | 439,066 | 64.5% | 499,428 | 62.2% |
| Restricted | | 0 | 0.0% | 0 | 0.0% |
| Unrestricted | | 241,292 | 35.5% | 303,225 | 37.8% |
| Total net assets | \$ | <u>680,358</u> | | <u>802,653</u> | |

The balance of *Unrestricted Net Position* is \$241,292 at December 31, 2012.

At December 31, 2012, GIVFD is able to report positive fund balances in all three categories of Net Position.

GIVFD’s Net Position decreased by \$(122,295) or 15.2 percent during the current fiscal year.

Governmental Activities. During 2012, governmental activities decreased GIVFD's Net Position by \$(122,295). Key elements of this increase are shown below as compared to 2011.

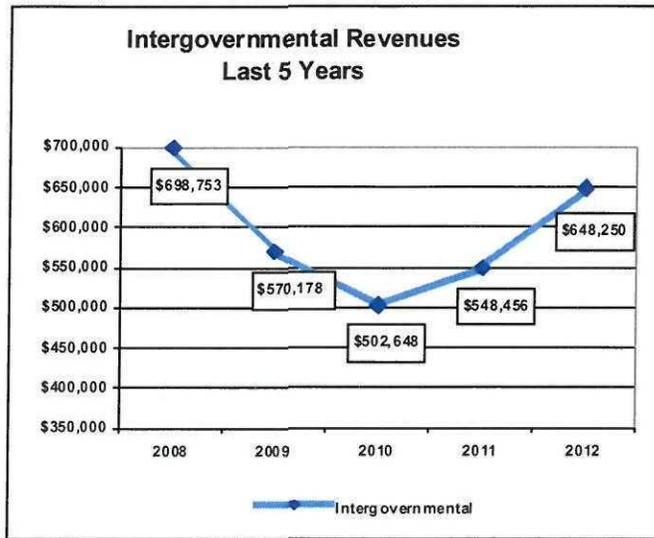
GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1

| | Governmental Activities | | Governmental Activities | |
|------------------------------------|----------------------------|---------------|----------------------------|---------------|
| | 2012 | | 2011 | |
| Revenues: | | | | |
| Program revenues: | | | | |
| Charges for services | \$ - | 0.0% | \$ 287,800 | 25.9% |
| Operating grants and contributions | 271,815 | 28.7% | 242,746 | 21.9% |
| Capital grants and contributions | - | 0.0% | 23,400 | 2.1% |
| General revenues: | | | | |
| Intergovernmental | 648,250 | 68.4% | 548,456 | 49.4% |
| Unrestricted interest | 672 | 0.1% | 384 | 0.0% |
| Gain (loss) on sale of equipment | (1,198) | -0.1% | (727) | -0.1% |
| Unrestricted gifts and donations | 1,900 | 0.2% | - | 0.0% |
| Miscellaneous | 25,697 | 2.7% | 7,717 | 0.7% |
| Total revenues | <u>947,136</u> | <u>100.0%</u> | <u>1,109,776</u> | <u>100.0%</u> |
| Expenses: | | | | |
| Public Safety | <u>1,069,431</u> | <u>100.0%</u> | <u>1,188,563</u> | <u>100.0%</u> |
| Total expenses | <u>1,069,431</u> | <u>100.0%</u> | <u>1,188,563</u> | <u>100.0%</u> |
| Increase in net assets | (122,295) | | (78,787) | |
| Net assets - Beginning of year | <u>802,653</u> | | <u>881,440</u> | |
| Net assets - end of year | <u>\$ 680,358</u> | | <u>\$ 802,653</u> | |

- In the prior year, charges for services are made up of reimbursements received from BP related to the Deepwater Horizon oil rig explosion and oil spill that occurred in April 2010. \$275,800 relates to GIVFD being hired to provide contractors for a fire watch program that allowed BP to place workers on the beach to clean up the oil. BP also reimbursed GIVFD for using its command trailer at the Elmer's Island beach closure area - \$4,200. In addition, \$7,800 was billed relating to smaller oil spill (Anglo Swiss) in early 2012. These oil spill related activities ending in mid 2011, thus, there is no revenue in this category in 2012.
- Operating grants represent the proceeds from a cooperative agreement with the Grand Isle Volunteer Emergency Services Department (GIVES) and reimbursements from FEMA for emergency protective measures during Hurricanes Rita, Gustav and Ike. Under the agreement with GIVES, all of the employees of GIVES were transferred to GIVFD and GIVFD now provides GIVES with administrative and operating support. GIVES reimburses GIVFD out of the proceeds of the money it receives from the Parish to operate an ambulance district within the Town boundaries. During 2012, GIVES paid GIVFD \$270,194, an increase of \$26,194. The FEMA operating grants amounted to \$1,621 in 2012. These amounts represent admin fees paid by FEMA for project worksheets previously filed.
- In the prior year, the capital grants of \$23,400 in 2012 represented funds from the Parish of Jefferson to furnish and equip the new fire station (\$15,000) and to paint the trucks obtained through FEMA Public Assistance grants (\$8,400). In 2012, these grants did not recur.
- Intergovernmental revenues come from the Parish of Jefferson and the State. The Parish levies an ad valorem tax in Grand Isle and remits a certain amount to GIVFD each month to provide funding to the Fire District. This allocation came in at \$639,409 for 2012 and \$540,000 for 2011. This large increase

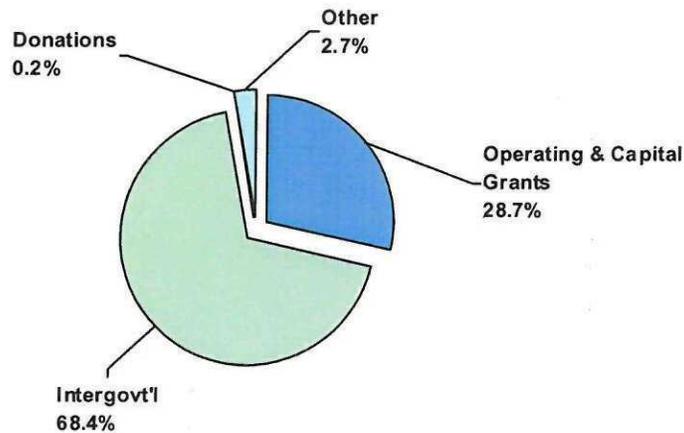
resulted from the renewal of the millage rate in 2011 back to its maximum levy. The State also remits a fire insurance rebate to each fire company. For 2012 and 2011, this amount was \$8,841 and \$8,456, respectively. A breakdown of the intergovernmental revenues received by GIVFD is as follows:

- Loss on sale/disposal of equipment totaled \$(1,198) resulting from the disposal and replacement of some old office equipment.
- Unrestricted gifts and donations totaled \$1,900 in 2012 and \$-0- in 2011. This amount was made up of donations from businesses and citizens to help finance the office.
- Miscellaneous income totaled \$25,697 in 2012 and \$7,717 in 2011, mostly dividends from LWCC on workers compensation program (\$8,620).

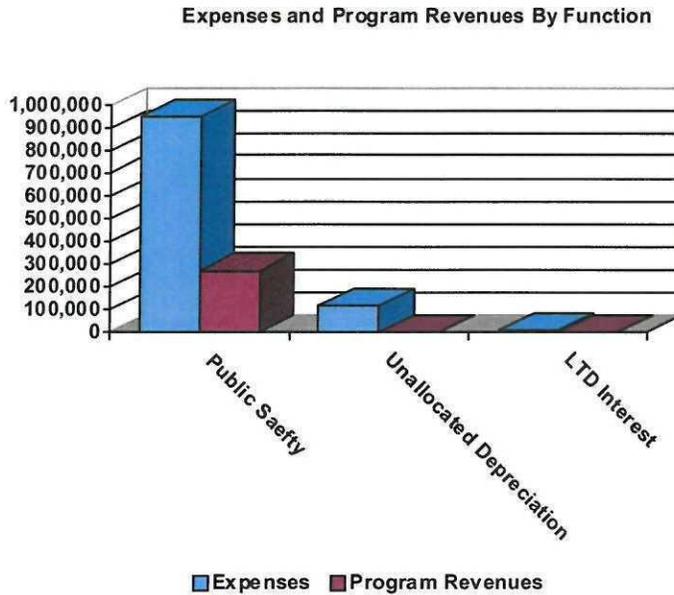


- A breakdown of the revenues received by GIVFD’s governmental activities is as follows:

Revenues by Source - Governmental Activities



Expenses totaled \$1,069,431, including current year depreciation of \$117,153 and interest on long-term debt of \$7,023. As a fire district, the only function GIVFD provides is the public safety function. These expenses of GIVFD were offset by program revenues (service charges and grants) totaling \$271,815 (see above), leaving a net revenue (cost) to citizens of GIVFD of \$(797,616). The cost is primarily funded by the general revenues discussed above. A graph comparing the expenses with the program revenue generated is presented below.



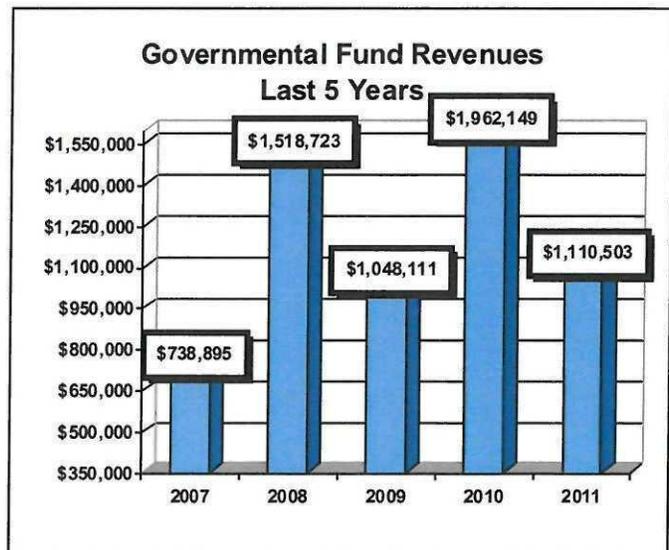
FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS

As noted earlier, GIVFD uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of GIVFD’s “governmental funds” is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing GIVFD’s financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of December 31, 2012, GIVFD’s governmental fund (i.e., the General Fund) reported ending fund balance of \$241,292, a decrease of \$(61,933) or 20.4 percent in comparison with the prior year. This change was caused by a number of factors, which are discussed below.

As noted above, the governmental funds include the general operating funds of GIVFD (i.e., the General Fund). Overall, as the graph shows, revenues of the Governmental Funds increased and decreased greatly over the past years. Because of the small size of the operating fund, operating and capital grants can create large swings in revenues when recognized. This is especially true since the



hurricanes in 2005 and 2008, as well as the oil spill in 2010. The cooperative agreement with Grand Isle Volunteer Emergency Services to provide administrative support brought in \$270,194 in 2012 (up \$26,194) and assistance from FEMA brought in \$1,621. The allocation from the Parish brought in \$639,409, an increase of \$99,409 from the prior year due to the Parish increasing the monthly allocation due to the renewal of the millage rate at its maximum of 20.00 mills.

Service Charges totaled \$-0- for 2012 and \$287,800 for 2011. This amount represented the reimbursements received from BP relating to the response to the April 2010 oil spill. GIVFD participated in the response in various ways and was able to bill BP for these services. The amount decreased significantly from last year as these activities ended in mid 2011.

As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 23.9 percent of total general fund expenditures. This is a slight decrease from the 27.6 percent noted last year.

The fund balance of GIVFD's General fund decreased by \$(61,933) during the current fiscal year. Key factors in this change are as follows:

- The General Fund's revenues totaled \$948,334, while expenditures totaled \$1,010,267.
- Revenues were made up of:
 - Intergovernmental revenues included \$1,621 in assistance from FEMA for emergency measures and damage to facilities relating to Hurricanes Katrina, Rita, Gustav and Ike.
 - Intergovernmental revenues included \$8,841 of state fire insurance rebates.
 - Intergovernmental revenues also included an allocation from Jefferson Parish (i.e., Property taxes) totaling \$639,409. This amount is significantly higher than it was in 2011, as the monthly allocation was adjusted to reflect the renewal of the millage rate back to its maximum levy of 20.00 mills. The number of mills levied on the 2010 tax roll (prior to the renewal election) was 17.48.
 - Intergovernmental revenues also included \$270,194 from the cooperative agreement with the Grand Isle Volunteer Emergency Services to provide administrative support to the ambulance department. This amount increased from last year GIVES reimbursed GIVFD for additional overtime worked by the medics.
 - Donations and gifts totaled \$1,900. These represent donations from citizens and businesses to help support the operations of the office.
 - Miscellaneous revenues total \$25,697, including \$8,620 from LWCC dividends.
- Expenditures totaled \$1,010,267:
 - Personnel and related costs totaled \$749,591 or 74.2 percent of expenditures – salaries amounted to \$569,006 and benefits totaled \$180,585. This category increased \$87,500 or 13.2 percent from 2011. Most of the increase relates to salaries (up \$98,228), as an additional employee was added to the staff and the medics' salaries were adjusted. This was offset by a decrease in workmen's compensation insurance of \$(13,213) as premiums decreased slightly.
 - General and administrative costs totaled \$110,993 or 11.0 percent of expenditures – Groceries and station supplies were \$20,821, insurance was \$35,616, phones were \$22,980, travel and conventions costs were \$2,075, cable and internet access totaled \$3,272, electricity was \$10,044, bookkeeping and audit fees totaled \$5,946, and office supplies totaled \$5,031. This category decreased \$(35,202) or 24.1 percent from last year. Insurance was down \$(28,863) due to the insurance on the new station being paid by the Parish (since the Parish owns the building). Auditing costs were down \$(6,251) as two years of audits were paid for in 2011 and only one audit completed during 2012. Most of the other line-items decreased due to cut-backs and better cash management and oversight of costs.

- Emergency training and supplies totaled \$36,034 or 3.6 percent of expenditures. This category included gas and oil of \$9,704, firefighting supplies of \$9,184, emergency supplies of \$7,539 (related to Hurricane Isaac), uniforms and shirts of \$3,628, training costs of \$2,374, and lifeguard/SRT costs of \$2,278.
- Repairs and maintenance totaled \$47,578 or 4.7 percent of expenditures. Repairs to buildings amounted to \$5,103 (primarily renovations and repairs to Station 99) and repairs to the fire trucks came in at \$41,813. Building repairs were down as the new station was moved into and Station 99 repairs were completed. Vehicle repairs were up as additional repairs were needed to the trucks.
- Miscellaneous expenditures were \$5,495 or 0.5percent of expenditures (made up mostly of private account funded functions or events).
- Capital outlays totaled \$37,840 or 3.7 percent. This included the purchase of new office equipment and a new F-250 truck.
- Debt Service totaled \$27,172 or 2.7 percent of expenditures. This represents principal payments of \$20,149 and interest payments of \$7,023 on the 2007 capital lease for a new fire truck.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. GIVFD’s investment in capital assets for its governmental activities as of December 31, 2012 amounts to \$439,066 (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, furniture and fixtures, heavy equipment, and vehicles. GIVFD’s investment in capital assets decreased by \$(60,362) or 12.1 percent this year.

Major capital asset events during the current fiscal year included the following:

- \$2,487 was spent the purchase of furniture and equipment.
- \$35,353 was spent on the purchase of a new F-250 truck.
- \$117,153 was recognized as depreciation expense.

**GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
CAPITAL ASSETS
(NET OF DEPRECIATION)**

| | Governmental Activities | Governmental Activities |
|-------------------------------------|------------------------------------|------------------------------------|
| | 2012 | 2011 |
| Land | \$ 39,800 | \$ 39,800 |
| Buildings | 172,627 | 185,957 |
| Furniture and fixtures | 32,482 | 52,673 |
| Vehicles and firefighting equipment | 311,440 | 358,430 |
| Total | <u>556,349</u> | <u>636,860</u> |
| Capital-related debt | (117,283) | (137,432) |
| Net Investment | <u>\$ 439,066</u> | <u>\$ 499,428</u> |

Additional information on GIVFD’s capital assets can be found in Note D.3 on page 27.

Long-term Debt. At the end of 2012, GIVFD had outstanding debt totaling \$117,283. This amount is made up of the balance on a capital lease for one of the fire trucks. The capital lease was entered into to finance the purchase of a new pumper truck and is payable over a ten (10) year period.

Additional information on GIVFD's long-term debt can be found in Note D.5 on page 28.

ECONOMIC FACTORS AND NEXT YEAR'S RATES

- The unemployment rate for the Parish of Jefferson is currently 5.2 percent, which is 0.9 percent lower than a year ago. In the coastal community of Grand Isle, which is heavily dependent on offshore oil and commercial fisheries (primarily shrimping), the rate is typically much higher.
- Inflationary trends in the region compare favorably to national indices.
- The ad valorem millage was renewed by a popular vote in April 2011 and is now at the maximum authorized rate of 20.00 mills. This is an increase of 2.52 mills from last year and resulted in the increased remittance from the Parish in 2012. This increase should remain in effect next year as the Parish levies the millage at the same level.
- The BP Deepwater Horizon oil spill continues to affect the area; either through the continuing clean up effort or the offshore drilling moratorium imposed by the federal government. GIVFD's employees were heavily utilized in the effort to monitor and manage the clean-up effort through most of 2010 and half of 2011. These costs were captured and billed to BP. These activities ended in mid 2011. While no services were provided in 2012, BP did reach out to GIVFD late in 2012 and will likely start a limited fire watch detail in 2013 due to storms washing up residual amounts of oil on the Town's beaches. It is hoped that the oil spill will not have a long-term or negative effect on ad valorem tax levels or operating revenues.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of GIVFD's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Grand Isle Volunteer Fire Company, No.1, President, PO Box 550, Grand Isle, Louisiana 70358.

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BASIC FINANCIAL STATEMENTS

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

STATEMENT OF NET POSITION
DECEMBER 31, 2012

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|---|------------------------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 342,725 |
| Receivables (net of allowance for uncollectibles) | 15,425 |
| Capital assets (net of accumulated depreciation) | |
| Land | 39,800 |
| Buildings | 172,627 |
| Furniture and fixtures | 32,482 |
| Heavy equipment | - |
| Vehicles and firefighting equipment | 311,440 |
| TOTAL ASSETS | <u>914,499</u> |
| LIABILITIES | |
| Accounts payable and other current liabilities | 62,193 |
| Accrued payroll and deductions | 2,753 |
| Unearned revenues | 51,912 |
| Noncurrent liabilities: | |
| Due within one year | 21,179 |
| Due in more than one year | 96,104 |
| TOTAL LIABILITIES | <u>234,141</u> |
| NET POSITION | |
| Invested in capital assets, net of related debt | 439,066 |
| Restricted for: | |
| Debt service | - |
| Other | - |
| Unrestricted | 241,292 |
| TOTAL NET POSITION | <u>\$ 680,358</u> |

The accompanying notes are an integral part of this statement.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

| FUNCTION | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES |
|--|---------------------|-------------------------|--|--|--|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | |
| Primary Government | | | | | |
| Governmental Activities: | | | | | |
| Public Safety | \$ 945,255 | \$ - | \$ 271,815 | \$ - | \$ (673,440) |
| Unallocated depreciation expense | 117,153 | - | - | - | (117,153) |
| Interest on long-term debt | 7,023 | - | - | - | (7,023) |
| Total governmental activities | <u>\$ 1,069,431</u> | <u>\$ -</u> | <u>\$ 271,815</u> | <u>\$ -</u> | <u>(797,616)</u> |
| GENERAL REVENUES: | | | | | |
| | | | | | 639,409 |
| | | | | | 8,841 |
| | | | | | 672 |
| | | | | | (1,198) |
| | | | | | 1,900 |
| | | | | | 25,697 |
| TRANSFERS IN (OUT) | | | | | - |
| TOTAL GENERAL REVENUE AND TRANSFERS | | | | | <u>675,321</u> |
| CHANGE IN NET POSITION | | | | | (122,295) |
| NET POSITION | | | | | |
| | | | | | 802,653 |
| | | | | | <u>\$ 680,358</u> |

The accompanying notes are an integral part of this statement.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2012

| | <u>General Fund</u> |
|--|---------------------|
| ASSETS | |
| Cash and Certificates of Deposit | \$ 342,725 |
| Accounts Receivable | 15,425 |
| TOTAL ASSETS | <u>\$ 358,150</u> |
| LIABILITIES AND FUND BALANCE | |
| Liabilities: | |
| Accounts payable | \$ 62,193 |
| Salaries and related taxes payable | 2,753 |
| Deferred revenue | 51,912 |
| Total Liabilities | <u>116,858</u> |
| Fund Balance | |
| Non-spendable | - |
| Restricted | - |
| Committed | - |
| Assigned | - |
| Unassigned | 241,292 |
| Total Fund Balance | <u>241,292</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 358,150</u> |

The accompanying notes are an integral part of this statement.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2012

Amounts reported for governmental activities in the Statement of Net Position (page 13) are different because:

| | | |
|--|----|----------------|
| Total Fund Balances at December 31, 2012 - Governmental Funds (page 16) | \$ | 241,292 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$1,553,898 and the accumulated depreciation is \$917,038. | | 556,349 |
| Long-term liabilities, including compensated absences, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of: | | |
| Notes Payable | | - |
| Capital Lease Payable | | (117,283) |
| Total Net Position of Governmental Activities at December 31, 2012 (page 14) | \$ | <u>680,358</u> |

The accompanying notes are an integral part of this statement.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>General Fund</u> |
|--|---------------------|
| REVENUES | |
| Intergovernmental | \$ 920,065 |
| Service charges and reimbursements | - |
| Donations and gifts | 1,900 |
| Interest | 672 |
| Miscellaneous | 25,697 |
| TOTAL REVENUES | <u>948,334</u> |
| EXPENDITURES | |
| Current | |
| Public Safety | |
| Personnel and related costs | 749,591 |
| General and administrative costs | 110,993 |
| Emergency training and supplies | 36,034 |
| Repairs and maintenance | 47,578 |
| Miscellaneous | 1,059 |
| Capital outlay | 37,840 |
| Debt Service | |
| Principal | 20,149 |
| Interest | 7,023 |
| TOTAL EXPENDITURES | <u>1,010,267</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | (61,933) |
| OTHER FINANCING SOURCES | |
| Capital lease | - |
| Loan proceeds | - |
| EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES | <u>(61,933)</u> |
| FUND BALANCE | |
| Beginning of year | 303,225 |
| End of year | <u>\$ 241,292</u> |

The accompanying notes are an integral part of this statement.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Amounts reported for governmental activities in the Statement of Activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 18) \$ (61,933)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (79,313)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets. (1,198)

The issuance of long-term debt (e.g., notes payable, leases) provides current financial resources to the governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items. 20,149

Change in net position of governmental activities (page 15) \$ (122,295)

The accompanying notes are an integral part of this statement.

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GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Grand Isle Fire Company No. 1 (GIVFD), a non-profit entity d/b/a Fire Protection District No. 9 of Jefferson Parish, have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units under the legal premise that GIVFD is a "quasi-public" corporation. Quasi-public corporations are non-profit or private companies who are created to perform a public service and which receive the majority of their funding from public funds (i.e., taxes, grants, etc.). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of GIVFD's accounting policies are described below.

1. Reporting Entity

GASB Codification Section 2100 establishes criteria for determining the governmental reporting entity and its component units. Component units are defined as legally separate organizations for which the elected officials of a primary government are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability. In addition, a component unit can be another organization for which the nature and significance of its relationship with a primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Fire District No.9 of Jefferson Parish (the "District") was created by Parish Ordinance to provide fire protection services to the citizens of the Town of Grand Isle and the surrounding area. The District is currently funded by a 20 mill ad valorem tax levied by the District via the Parish Council and is governed by the same Council that governs the Parish. As such, the District is reported as a component unit within the Parish's financial statements.

Under a cooperative endeavor agreement, the daily operations of the District are contracted out to Grand Isle Volunteer Fire Company No. 1 (GIVFD). GIVFD was incorporated on April 25, 1969 as a non-profit service corporation under Section 501(c)(3) of the Internal Revenue Code. GIVFD has been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provide in Section 170(b)(1)(A)(vi). GIVFD is governed by a President and a 5 member Board of Directors which are elected by the membership. The accompanying statements report transactions related only to those of GIVFD.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of GIVFD. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Because of the nature of GIVFD's operations, GIVFD reports only governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Funds are used by GIVFD to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The funds of GIVFD are classified into the "governmental" category. The category, in turn, is divided into separate "fund types".

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The General Fund is used to account for all financial activities of the general government not accounted for in some other fund.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GIVFD reports the following major governmental funds:

The *General Fund* is the general operating fund of GIVFD. It is used to account for all financial resources and expenditures. It includes the activity of the "private" account, as well as the "public funds" account.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using a *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Intergovernmental revenues received from the Parish in connection with the cooperative endeavor agreement are recognized in the year to be benefitted. All other service charges and intergovernmental revenues are recognized as received. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recognized as expenditures only when payment is due.

4. Budgets

As a quasi-public corporation, GIVFD is not required to adopt a budget; therefore, a budget to actual statement is not presented in the accompanying financial statements. An informal budget is adopted for internal purposes for the General Fund.

5. Assets, Liabilities, and Net Position or Equity

A. *Cash and Investments*

For reporting purposes, cash and cash equivalents includes amounts in demand deposits, time deposits, and certificates of deposit. This includes the balances in the "private" account, as well as the "public funds" account.

Investments, if any, are stated at fair value, except for investments in government securities with maturities less than 1 year, which are stated at cost or amortized cost.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Inventories

The cost of materials and supplies acquired by GIVFD are recorded as expenditures at the time of purchase. It is management's opinion that the inventory of such materials and supplies at December 31, 2012 would not be material to the financial statements.

C. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by GIVFD as assets with an initial, individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed and are included in construction in progress.

Property, plant, equipment, and infrastructure are depreciated using the straight-line method (with a mid-year convention) over the following estimated useful lives:

| <u>Asset Category</u> | <u>Useful Life in Years</u> |
|-------------------------------------|-----------------------------|
| Buildings | 20 |
| Furniture and fixtures | 3 to 5 |
| Vehicles and firefighting equipment | 5 to 10 |
| Infrastructure (if any) | 40 |

D. Fund Equity

GIVFD follows the requirements of Government Accounting Standards Board (GASB) Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*. In accordance with this statement, in the fund financial statements, fund balances of the governmental fund types are categorized into one of five categories - Non-spendable, Restricted, Committed, Assigned, or Unassigned.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE B - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(79,313) difference are as follows:

| | |
|---|-------------|
| Capital outlay | \$ 37,840 |
| Depreciation expense | (117,153) |
| Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position - governmental activities</i> | \$ (79,313) |

NOTE C - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Compliance with Cooperative Endeavor Agreement

As a quasi-public corporation, GIVFD is not subject to all of the general statutes governing political subdivisions and other governments within the State of Louisiana. Instead, GIVFD must comply with the terms and conditions of the cooperative endeavor agreement it has with the Parish of Jefferson. As of December 31, 2012, GIVFD was in compliance with all of the significant conditions of the agreement.

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

1. Deposits and Investments

The carrying amount of GIVFD's deposits at December 31, 2012 was \$342,725 and the bank balance was \$359,639. This book balance on the balance sheet includes \$200 of petty cash. All of the bank balances were covered by FDIC.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

2. Receivables

As discussed in Notes G.2 and G.3, GIVFD has open claims with FEMA for disaster assistance related to Hurricanes Katrina, Rita, Gustav and Ike. At December 31, 2012, \$15,425 is reflected as receivable on these claims.

A recap of the receivables due at year end is as follows:

| <u>Description</u> | <u>Receivable</u> |
|---------------------------------|-------------------|
| JP - Millage Allocation | \$ - |
| FEMA - Public Assistance Claims | 15,425 |
| GIVES - Monthly Remittance | - |
| Total Receivables | <u>\$ 15,425</u> |

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

3. Capital Assets

The following is a summary of changes in the general fixed assets account group during the fiscal year:

| | Balance December 31, 2011 | Additions | Deletions | Balance December 31, 2012 |
|---|---------------------------------|--------------------|-------------------|---------------------------------|
| Governmental Activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 39,800 | \$ - | \$ - | \$ 39,800 |
| Total capital assets, not being depreciated | <u>\$ 39,800</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 39,800</u> |
| Capital assets, being depreciated | | | | |
| Buildings & improvements | \$ 256,596 | \$ - | \$ - | \$ 256,596 |
| Furniture & fixtures | 157,194 | 2,487 | (1,498) | 158,183 |
| Vehicles & firefighting equipment | 1,100,308 | 35,353 | - | 1,135,661 |
| Total capital assets, being depreciated | <u>1,514,098</u> | <u>37,840</u> | <u>(1,498)</u> | <u>1,550,440</u> |
| Less accumulated depreciation for: | | | | |
| Buildings & improvements | (70,639) | (13,330) | - | (83,969) |
| Furniture & fixtures | (104,521) | (21,480) | 300 | (125,701) |
| Vehicles & firefighting equipment | (741,878) | (82,343) | - | (824,221) |
| Total accumulated depreciation | <u>(917,038)</u> | <u>(117,153)</u> | <u>300</u> | <u>(1,033,891)</u> |
| Capital assets being depreciated, net | <u>\$ 597,060</u> | <u>\$ (79,313)</u> | <u>\$ (1,198)</u> | <u>\$ 516,549</u> |
| Net governmental activities capital assets | <u>\$ 636,860</u> | <u>\$ (79,313)</u> | <u>\$ (1,198)</u> | <u>\$ 556,349</u> |

Fire District No. 9's two stations were damaged or destroyed by Hurricanes Katrina and Gustav. The Parish of Jefferson was awarded a claim through FEMA to provide funds to replace the main station (Station 97 - see Note G.2). Station 97 opened in April 2011 and is now carried on the books of the Parish of Jefferson. The East Substation (Station 99) has been rebuilt and claimed with FEMA by GIVFD and is included in the assets above.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

4. Intergovernmental Contracted Services

During 2007, GIVFD entered into a cooperative agreement with the Grand Isle Volunteer Emergency Services Department (GIVES), whereby GIVFD would provide accounting and administrative services and GIVES would reimburse it for the costs incurred. In addition, in an effort to save money and to consolidate operations, the employees of GIVES were transferred to GIVFD. Now, GIVFD employees are cross-trained and are responsible for responding to both fires and emergencies. Again, GIVES is required to reimburse GIVFD for costs incurred. During 2012, this agreement was renewed and calls for GIVES to remit up to 85 percent of its millage allocation to GIVFD. During 2012, GIVES made payments totaling \$270,194 to GIVFD under this arrangement. This amounted to 86.6 percent of GIVES' millage receipts. The slight overage was due to unexpected overtime.

Additionally, the Grand Isle Volunteer Fire Department (GIVFD) provides GIVES with the use of office space and some equipment at no cost. GIVES also now relies upon GIVFD for labor (see above).

5. Long-term Debt

Capital Lease

In 2007, GIVFD entered into lease agreements as lessee for financing the acquisition of a new pumper truck. This lease agreement qualifies as capital leases for accounting purposes (bargain purchase options and/or present value of lease payments is greater than 90 percent of asset cost) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of its inception. The lease bears an interest rate of 5.11 percent and is being paid over a ten (10) year period. During 2007, GIVFD missed a payment on this lease of \$25,000. This payment has been accrued as accounts payable. During 2012, GIVFD made a payment of \$27,172 on this lease (principal of \$20,149 and interest of \$7,023). The balance of \$117,283 is included in the noncurrent liabilities on the Statement of Net Position.

Debt Service to Maturity

The following is a schedule of the future minimum lease payments under this capital lease agreement at December 31, 2012.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE D - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)

| Year Ended December 31, | Capital Lease | | Total |
|------------------------------|---------------|-----------|------------|
| | Principal | Interest | |
| 2013 | \$ 21,179 | \$ 5,993 | \$ 27,172 |
| 2014 | 22,261 | 4,911 | 27,172 |
| 2015 | 23,398 | 3,774 | 27,172 |
| 2016 | 24,594 | 2,578 | 27,172 |
| 2017 | 25,851 | 1,321 | 27,172 |
| Total minimum lease payments | \$ 117,283 | \$ 18,577 | \$ 135,860 |

Changes in Long-Term Debt

The following is a summary of the changes in long-term debt related to governmental activities for the fiscal year ended December 31, 2012:

| Type of Debt | Balance | | | Balance | | Due Within One Year |
|---------------|----------------------|-----------|-------------|----------------------|-----------|------------------------|
| | December 31, 2011 | Additions | Reductions | December 31, 2012 | | |
| Capital Lease | \$ 137,432 | \$ - | \$ (20,149) | \$ 117,283 | \$ 21,179 | |
| | \$ 137,432 | \$ - | \$ (20,149) | \$ 117,283 | \$ 21,179 | |

NOTE E - ECONOMIC DEPENDENCE

In 1984, the public approved a 10 mill ad valorem tax to be levied beginning on January 1, 1985 for a period of 10 years. In 1994, the public approved a renewal of the tax for an additional 10 year period. These taxes are to provide operating funds for Fire Protection District No. 9 of Jefferson Parish. In January 1985, the Parish and GIVFD entered into a cooperative endeavor agreement whereby GIVFD would be responsible for the day-to-day operations of the District. In return, the Parish would remit to GIVFD, on a monthly basis, 1/12th of the currently budgeted revenues expected to be collected from the 10 mill tax. The original contract was for the period January 23, 1985 to January 23, 1995. The Parish and GIVFD are negotiating a new contract and are operating under the terms and conditions of the old agreement until a new contract is executed.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE E - ECONOMIC DEPENDENCE (CONTINUED)

On January 20, 2001, the public approved an increase in the maximum millage rate to 20.00 mills effective with the 2001 tax roll. This millage rate was levied over the past 10 years, with the amount rolling back (i.e., decreasing) with each reassessment year. This millage was renewed in January 2011 back at the maximum amount of 20.00 mills. As such, 20.00 mills were levied on the 2011 tax rolls and the remittance during 2012 totaled \$639,409. This amount includes a base allocation remitted by the Parish of \$53,284 per month. The revenues from this contract account for a substantial portion (67.4 percent) of GIVFD's total revenues.

NOTE F - COMMITMENTS AND CONTINGENCIES

1. Risk Management

GIVFD is exposed to various risks of loss resulting from personal injury; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical malpractice; and natural disasters. To protect against these risks of loss, the District purchases various types of insurance from commercial carriers.

Under these policies, general liability and medical malpractice coverage is provided for up to a maximum of \$1,000,000 per occurrence (\$2,000,000 in the aggregate); automobile liability coverage is provided for up to \$1,000,000; and worker's compensation is provided at the statutory limits of \$100,000/500,000/100,000. In each policy, GIVFD is responsible for the deductible.

2. Litigation

There is no litigation pending against GIVFD at December 31, 2012.

NOTE G - OTHER INFORMATION

1. Retirement

GIVFD's employees are members of the Social Security System. In addition to the employee contribution withheld at 7.65 per cent, GIVFD contributes 7.65 percent to the System. Aggregate pension costs for the year totaled \$45,745. GIVFD does not guarantee the benefits granted by the Social Security System.

In 1998, GIVFD began allowing certain employees to contribute to an IRA plan. GIVFD contributes 3 percent of the employee's gross salary as a match against that contributed by the employee. During 2012, the contribution to this plan totaled \$3,506, of which \$1,106 was paid for by GIVFD. The participating employee paid the balance due.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE G - OTHER INFORMATION (CONTINUED)

2. Hurricanes Katrina and Rita

On August 29, 2005, Hurricane Katrina struck the area and Hurricane Rita struck on September 11, 2005. The Grand Isle area saw severe flooding and wind damage. GIVFD's main station was destroyed and the two substations received damage. In addition, emergency protective measures were performed by GIVFD personnel. Claims totaling \$366,875 have been filed with FEMA. After the local share and administrative fees are added in, FEMA's share is \$374,164. Through December 31, 2012, payments totaling \$399,139 have been received, including \$-0- in 2012. The balance of \$(24,975) has been deferred and is shown as deferred revenue on the books at year end. This overpayment and deferral resulted from FEMA reclassifying some of the costs claimed under Katrina to Hurricane Rita. Claims under Rita totaling \$60,034 have been filed for labor and equipment. After the local share and administrative fees are added in, FEMA's share is \$61,655. During 2012, \$55,652 has been received and the balance of \$6,003 is included in accounts receivable at year end.

In addition to the public assistance received from FEMA via the State's Office of Military Affairs, GIVFD benefited from FEMA in rebuilding the district's Main Fire Station, which was destroyed by Hurricane Katrina. Because the Fire District is governed by the Parish of Jefferson, the reconstruction of the Main Station was funded by FEMA through the Parish of Jefferson. To date, \$256,393 has been paid in architectural fees related to the reconstruction project. This amount has been claimed by the Parish to FEMA and has been reimbursed under Project Worksheet (PW) JP-17676. The project was completed in April 2011 and GIVFD moved into the new station in August 2011.

3. Hurricanes Gustav and Ike

On August 29, 2008, Hurricane Gustav threatened the area and caused the evacuation of the Metropolitan New Orleans area, including Grand Isle. The Grand Isle area saw severe flooding and some wind damage. The Isle was evacuated for several weeks until utility service could be reestablished. Some damage was incurred and some emergency work was performed by GIVFD. Claims totaling \$270,780 have been filed with FEMA and \$1,254 have been disallowed and returned. After the local share and administrative fees are accounting for, FEMA's share is \$227,202. Through December 31, 2012, payments totaling \$254,139 have been received, net of a refund to FEMA of \$(1,254) in 2012. The balance due of \$(26,937) is shown as deferred revenue at year end as these funds will be used in the future on several projects that FEMA has advanced funds on.

On September 12, 2008, Hurricane Ike passed just off of the coastline of the State of Louisiana and hit Texas. While the Grand Isle area was spared a direct hit, the storm surge from the hurricane did cause some tidal flooding. Some damage was incurred and some emergency work was performed by GIVFD. Claims totaling \$106,621 have been filed with FEMA. After the local share and administrative fees are accounting for, FEMA's share is \$94,221. Through December 31, 2012, payments totaling \$84,799 have been received, including \$-0- in 2012. The balance due of \$9,422 has been accrued and is shown as a receivable on the books at year end.

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
December 31, 2012

NOTE G - OTHER INFORMATION (CONTINUED)

4. BP Deepwater Horizon Oil Spill

On April 20, 2010, the BP Deepwater Horizon oil drilling platform exploded and sank off the southeastern coast of Louisiana. Oil spewed into the Gulf of Mexico for the next three months. A good amount of this oil spill affected the Louisiana coastline and interior waterways and bayous, including the southern portion of Jefferson Parish (i.e., Grand Isle). During 2010 and 2011, the Grand Isle Fire (GIVFD) and Ambulance (GIVES) Districts played a part in the subsequent disaster response effort. GIVFD was hired by BP to provide fire watch contractors to enable BP's workers to clean up the beach areas. BP also provided funds for GIVFD to hire summer juvenile workers to help clear the beaches and back canals of debris. Finally, GIVFD personnel were assigned to the Jefferson Parish Incident Command Center to assist in planning and monitoring the response. Billings to date are as follows:

| BP Oil spill Response Program | Amount Billed |
|---|----------------------|
| Fire Watch | \$ 912,900 |
| Equipment Usage | 55,800 |
| Juvenile Summer Program | 27,203 |
| JP Incident Command and Standby Boat | 237,807 |
| Totals | <u>1,233,710</u> |
| Less amounts recognized in prior years | 1,233,710 |
| Total Current Year Activity | <u><u>\$ -</u></u> |

In late 2012, several storms washed residual oil from the spill onto the island's beaches. BP has reached out to GIVFD and will probably contract with them again during 2013 to provide additional fire watch services during the cleanup of these areas.

The federal response to this disaster also included provisions for citizens, businesses, and government agencies to recoup "economic losses" resulting from the oil spill. The loss of the use of commercial fishing grounds for most of the summer and the continuing offshore drilling moratorium may have an effect on the local economy, especially if long-term damage is done to the fisheries and estuaries. Both the seafood industry and the offshore drilling industry play vital roles in the local economy. To date, neither GIVFD nor the Town has filed any claims against BP relating to economic losses; however, as the true long-term impact of the oil spill is determined, claims may be made in the future.

INDIVIDUAL FUND STATEMENTS AND SCHEDULES

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

GOVERNMENTAL FUNDS - GENERAL FUND
DETAILED SCHEDULE OF REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>General Fund</u> |
|--|---------------------|
| Intergovernmental | |
| Federal | |
| FEMA - Disaster Assistance | \$ 1,621 |
| State | |
| Fire Insurance Rebate | 8,841 |
| Local | |
| Jefferson Parish contract: | |
| Direct payments - ad valorem taxes | 639,409 |
| Equipment grant | - |
| Grand Isle Volunteer Emergency Services | |
| Cooperative agreement | 270,194 |
| | <u>920,065</u> |
| Service charges and reimbursements | |
| Reimbursement - BP Oil Spill - Fire Watch | - |
| Reimbursement - BP Oil Spill - Equipment Usage | - |
| Reimbursement - BP Oil Spill - Juvenile Program | - |
| Reimbursement - BP Oil Spill - JP Incident Command | - |
| Reimbursement - Anglo Swiss Oil Spill | - |
| | <u>-</u> |
| Donations and gifts | |
| Fund raising - net | - |
| Others | 1,900 |
| | <u>1,900</u> |
| Interest | <u>672</u> |
| Miscellaneous | |
| Insurance proceeds | - |
| Sales of equipment | - |
| Other | 25,697 |
| | <u>25,697</u> |
| TOTAL REVENUES | <u>\$ 948,334</u> |

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1
d/b/a
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

GOVERNMENTAL FUNDS - GENERAL FUND
SCHEDULE OF EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2012

| | <u>General Fund</u> |
|---------------------------------------|---------------------|
| Public Safety | |
| Current | |
| Personnel and related costs | |
| Salaries | \$ 569,006 |
| Salaries - BP Juvenile Program | - |
| Payroll taxes | 45,745 |
| Payroll taxes - penalties & interest | 1,295 |
| Retirement | 1,106 |
| Health insurance | 97,814 |
| Unemployment insurance | 173 |
| Workmens' compensation | 34,452 |
| | <u>749,591</u> |
| General and administrative costs | |
| Alarm monitoring | 396 |
| Bank charges | 130 |
| Bookkeeping and auditing | 5,946 |
| Dues and subscriptions | 458 |
| Office and computer supplies | 5,031 |
| Postage | 1,515 |
| Phones | 22,980 |
| Utilities - electricity and water | 10,044 |
| Utilities - cable and internet | 3,272 |
| Leases/rentals - equipment | 176 |
| Licenses and certificates | 205 |
| Insurance - auto/general | 35,616 |
| Sanitation | 193 |
| Travel - hotels and meals | 2,075 |
| Arson investigation | 2,135 |
| Groceries and supplies - station | 20,821 |
| | <u>110,993</u> |
| Emergency costs and supplies | |
| BP Oil Spill - Fire Watch contractors | 180 |
| Firefighting supplies | 9,184 |
| Fire Prevention Week supplies | 1,147 |
| Gas and oil | 9,704 |
| Hurricane/emergency costs | 7,539 |
| Lifeguard and SRT costs | 2,278 |
| Medical and emergency supplies | - |
| Training and educational | 2,374 |
| Uniforms and shirts | 3,628 |
| | <u>36,034</u> |
| Repairs and maintenance | |
| R & M - buildings | 5,103 |
| R & M - equipment and radios | 662 |
| R & M - vehicles and boats | 41,813 |
| | <u>47,578</u> |
| Miscellaneous | |
| Functions/events | 445 |
| Gifts, flowers, and donations | 500 |
| Other | 114 |
| | <u>1,059</u> |
| Capital outlay | |
| Vehicles and rescue equipment | 33,727 |
| Equipment | 4,113 |
| Furniture and fixtures | - |
| | <u>37,840</u> |
| TOTAL CURRENT | <u>983,095</u> |
| Debt Service | |
| Principal | 20,149 |
| Interest | 7,023 |
| TOTAL DEBT SERVICE | <u>27,172</u> |
| TOTAL EXPENDITURES | <u>\$ 1,010,267</u> |

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SUPPLEMENTARY INFORMATION

GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1

db/a

FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended December 31, 2012

| FEDERAL AGENCY/ PROGRAM TITLE | CFDA NUMBER | GRANT/ PROJECT NUMBER | GRANT PERIOD FROM TO | TOTAL GRANT AWARD | ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2011 | CASH/ ASSISTANCE RECEIVED DURING YEAR | ACCRUED (DEFERRED) REVENUE DECEMBER 31, 2012 | TOTAL REVENUE RECOGNIZED | TOTAL FEDERAL EXPENDITURES |
|---|----------------|--------------------------|-------------------------|-------------------------|---|---|---|--------------------------------|----------------------------------|
| PASS-THROUGH AWARDS | | | | | | | | | |
| DEPARTMENT OF HOMELAND SECURITY | | | | | | | | | |
| Passed through State Department of Military Affairs: | | | | | | | | | |
| Emergency Disaster - Public Assistance Grants (Katrina) | 97 036 | FEMA-1603-DR-LA | Project Completion | \$ 379,561 | \$ (24,975) | \$ - | \$ (24,975) | \$ - | \$ - |
| Emergency Disaster - Public Assistance Grants (Rita) | 97 036 | FEMA-1607-DR-LA | Project Completion | 60,034 | 60,034 | 55,652 | 6,003 | 1,621 | 1,621 |
| Emergency Disaster - Public Assistance Grants (Gustav) | 97 036 | FEMA-1786-DR-LA | Project Completion | 340,341 | (26,937) | - | (26,937) | - | - |
| Emergency Disaster - Public Assistance Grants (Ike) | 97 036 | FEMA-1792-DR-LA | Project Completion | 130,812 | 9,422 | - | 9,422 | - | - |
| Emergency Disaster - Public Assistance Grants (Isaac) | 97 036 | FEMA-4080-DR-LA | Project Completion | - | - | - | - | - | - |
| | | | | | 17,544 | 55,652 | (36,487) | 1,621 | 1,621 |
| TOTAL FEDERAL ASSISTANCE | | | | | \$ 17,544 | \$ 55,652 | \$ (36,487) | \$ 1,621 | \$ 1,621 |

NOTES TO SCHEDULE:

This Schedule of Expenditures of Federal Awards includes the federal grant activity of the Grand Isle Volunteer Fire District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

GIVFD did not meet the threshold for having a Single Audit performed for 2012.

COMPLIANCE SECTION

**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 the President and Board of Directors
Grand Isle Volunteer Fire Company No. 1 (GIVFD)
Grand Isle, Louisiana

I 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 the governmental activities and each major fund (i.e., the General Fund) of the Grand Isle Volunteer Fire Company No. 1 (GIVFD), a non-profit entity d/b/a Fire Protection District No. 9 of Jefferson Parish, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise GIVFD's basic financial statements, and have issued my report thereon dated June 25, 2013.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

My 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be a material weakness. However, material weaknesses may exist that have not been identified. I did identify certain deficiencies in internal control, as described in the accompanying schedule of findings and responses, that I consider to be significant deficiencies in internal control over financial reporting (See Findings SD12-01, SD12-02, SD12-03, and SD12-04).

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether GIVFD's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standard*.

GIVFD's RESPONSES TO FINDINGS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of GIVFD'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.

Paul C. Ginn, CPA

June 25, 2013

**GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
D/B/A
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH**

**SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended December 31, 2012**

I have audited the financial statements of the Grand Isle Volunteer Fire Company No. 1 (GIVFD) as of and for the year ended December 31, 2012, and have issued my report thereon dated June 26, 2012. I conducted my 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. My audit of the financial statements as of December 31, 2012 resulted in an unqualified opinion.

SECTION I - SUMMARY OF AUDITOR'S RESULTS

- A. The auditor's report expresses an unqualified opinion on the financial statements of GIVFD.
- B. Report on Internal Control and Compliance Material to the Financial Statements
Internal Control:
 - Significant Deficiencies were noted (see below).
 - No Material Weaknesses were noted.Compliance:
 - No instances of noncompliance material to the financial statements were noted.
- C. Federal Awards - not applicable
- D. Identification of Major Programs - not applicable

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

SD Comment # 12-01 - Inadequate Segregation of Duties

Condition - I noted that the size of GIVFD's operations is too small to provide for an adequate segregation of duties. The GIVFD's Office Manager/bookkeeper is charged with most of the responsibilities relating to the cash receipts, cash disbursement, and financial reporting cycles. GIVFD does, however, have various controls in place which tend to mitigate this problem, including (1) having another person review and initial all bank reconciliations, (2) requiring dual signatures on all checks, and (3) requiring the presentation of actual versus budget reports on a monthly basis to the Board.

Recommendation - Employing additional controls may not be cost beneficial, however, the Board should remain cognizant of the lack of segregation of duties.

**GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
D/B/A
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH**

**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended December 31, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Response - We are aware of the condition, however, at this point we are not in the financial position of addressing the problem. The Board is aware of the condition and will continue to monitor the financial activity of GIVFD in a timely manner.

SD Comment # 12-02 - Preparation of Financial Statements by Auditor

Condition and Criteria - GIVFD does not have controls in place for proper oversight of its financial reporting and for the preparation of financial statements in accordance with generally accepted accounting principles. As is common in small organizations, GIVFD 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 of Auditing Standards (SAS) 115 requires that I 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, I do not believe that curing the significant deficiency described in this finding would be cost effective or practical and accordingly, I do not believe any corrective action is necessary.

Management's Response - GIVFD's staff is familiar with the day-to-day accounting requirements; however, due to limited staffing and funding, we do not consider it practical to provide sufficient training to our staff in order to eliminate this condition and can only continue to rely on the auditor to prepare the financial statements at this time.

SD Comment # 12-03 – Maintaining Proper Fixed Asset Records

Condition and Criteria - GIVFD does not maintain a formal fixed assets ledger. Instead, it has chosen to rely on the external auditor to maintain a schedule of general fixed assets within an excel spreadsheet, which is adjusted each year during the audit. By not maintaining a general ledger on fixed assets, GIVFD must wait until year end to calculate and post depreciation on fixed assets. Additions and disposals of fixed assets are also not recorded until year-end.

**GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
D/B/A
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH**

**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended December 31, 2012**

SECTION II - FINANCIAL STATEMENT FINDINGS (CONTINUED)

Cause - GIVFD's software system (QuickBooks) was not set up to record and depreciate fixed assets.

Recommendation - GIVFD should work towards entering the records relating to the fixed assets into the QuickBooks software system. This would also allow for the timely capitalization and depreciation of all fixed assets.

Management's Response - We will look into doing this for the next fiscal year audit. Since we record our activity on a "cash-basis" of accounting, we do not see this as a must and are satisfied with relying on the year-end audit adjustments to reflect capitalization and depreciation activity. We do maintain asset inventory listings for insurance purposes that reconcile back to our accounting records.

SD Comment # 12-04 – No Evidence of Time Sheets Being Reviewed and Approved

Condition and Criteria - GIVFD employees turn in timesheets to the Office Manger each week reflecting the days and hours that they worked. The process calls for the employee to sign the time sheet and for the Fire Chief or some other administrative official to sign the time sheet indicating its review and approval. During my testing of payroll, I selected 61 transactions (payroll checks/timesheets) to test. Of these, I noted 15 instances (25 percent) where the time sheet was not signed/approved. I did not note any mathematical errors in the payroll test, just that the time sheets were not always signed.

Cause – The Fire Chief's time was reduced in the past year and he is not always available to sign the time sheets on the payroll date.

Recommendation – Despite this cause, GIVFD should work towards having every time sheet reviewed and approved and having evidence of that review on the time sheet. If the Fire Chief is not always available, perhaps another administrative official could sign (the Board President or the Office Manager).

Management's Response – The time sheets were reviewed by the Office Manager, since she is the one who uses the time sheets to generate the payroll checks. She just does not sign them. We will change our policy to allow the signing of time sheets by administrative officers other than just the Fire Chief.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Not Applicable

**GRAND ISLE VOLUNTEER FIRE COMPANY NO. 1 (GIVFD)
D/B/A
FIRE PROTECTION DISTRICT NO. 9 OF JEFFERSON PARISH**

**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
For the Year Ended December 31, 2012**

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

The status of findings and questioned costs noted in prior years is noted below:

FINANCIAL STATEMENT FINDINGS

| Prior Year Comment No. | Description | Status |
|-----------------------------------|--|---------------------------|
| SD # 11-01 | Inadequate segregation of duties. | See CY SD Comment # 12-01 |
| SD # 11-02 | Preparation of Financial Statements by auditor | See CY SD Comment # 12-02 |
| SD # 11-03 | Not maintaining proper fixed asset records | See CY SD Comment # 12-03 |