



**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

**FINANCIAL REPORT
(Excluding the Membership Account Fund)**

As of and for the Year Ended December 31, 2013



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BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

FINANCIAL REPORT

As of and for the year ended December 31, 2013

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Des Allemands, Louisiana

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
Bayou Gauche Volunteer Fire Department, Inc.
Des Allemands, Louisiana**

Report on the Financial Statements

We have audited the accompanying financial statements of the government activities, each major fund, and the aggregate remaining fund information of the Bayou Gauche Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the department'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 generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, each major fund, and the aggregate remaining fund information of the Bayou Gauche Volunteer Fire Department, Inc. as of December 31, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1A, the financial statements present only the general fund. They do not purport to, and do not present fairly the financial position of the department as of December 31, 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity 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 5–8 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. We 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 our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

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



Thibodaux, Louisiana
June 26, 2014

Required Supplemental Information

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2013

Our discussion and analysis of Bayou Gauche Volunteer Fire Department, Inc.'s (the department) financial performance provides an overview of the department's financial activities for the fiscal year ended December 31, 2013. Please read it in conjunction with the department's financial statements, which begin on page 9.

FINANCIAL HIGHLIGHTS

- The department's assets exceeded its liabilities at the close of 2013 by \$1,687,729.
- Cash and cash equivalents decreased by \$54,614 or 7.9% from the prior year.
- Net position increased by \$59,949 or 3.7% from the prior year.
- The department's revenues totaled \$304,775 for the year ended December 31, 2013. These revenues are comprised primarily of taxes, state revenue sharing, and fire insurance rebates. Revenues decreased by \$17,512 or 5.7% in comparison to the prior year.
- The department's expenses totaled \$244,826 for the year ended December 31, 2013. These expenses are comprised primarily of personnel services and operating services. Expenses decreased by \$30,854 or 11.2% in comparison to the prior year.

USING THIS ANNUAL REPORT

This report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities found on pages 9 and 10 provides information about the financial activities of the department and illustrate a long-term view of the department's finances. Fund financial statements start on page 11. For governmental-type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the department's operations in more detail than the government-wide sections of the statements by providing information about the department's significant funds.

A. REPORTING ON THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

1. The Statement of Net Position and the Statement of Activities

The government-wide financial statements present financial information for all activities of the department from an economic resource measurement focus using the accrual basis of accounting. They present governmental activities, such as general government, separately from business-type activities. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the department's net position and the change in it. This net position, the difference between the assets and the liabilities, is one way to measure the department's financial position or financial health. Over time, increases or decreases in

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
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Management's Discussion and Analysis
For the year ended December 31, 2013

the department's net position is one indicator of whether its financial health is improving or deteriorating.

B. REPORTING ON THE DEPARTMENT'S MOST SIGNIFICANT FUNDS

1. Fund Financial Statements

The fund financial statements provide detailed information about the department's general fund. All of the department's expenses are reported in a governmental fund, which focuses on how money flows into and out of that fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method, which measures cash and all other financial assets that could be readily converted to cash. The governmental fund statements provide a detailed short-term view of the department's general operations and the expenses paid from this fund. The information in the governmental fund helps determine if there are more or less financial resources to finance future department expenses. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the governmental fund in reconciliation's on pages 13 and 14.

AN ANALYSIS OF THE DEPARTMENT USING GOVERNMENT-WIDE FINANCIAL STATEMENTS

A. STATEMENT OF NET POSITION

The following amounts reflect condensed information on the department's net position:

	2013	2012
Assets		
Current assets	\$ 872,337	\$ 904,831
Capital assets, net of accumulated depreciation	829,465	741,887
Total assets	1,701,802	1,646,718
 Liabilities		
Current liabilities	14,073	18,938
Total current liabilities/Total liabilities	14,073	18,938
 Net Position		
Investment in capital assets, net of related debt	829,465	741,887
Unrestricted	858,264	885,893
Total net position	\$ 1,687,729	\$ 1,627,780

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

Management's Discussion and Analysis
For the year ended December 31, 2013

- Current assets decreased by \$32,494, resulting from a decrease in cash and cash equivalents of \$54,614.
- At the end of the year, the department had capital assets, net of accumulated depreciation in the amount of \$829,465; which was made up of \$2,156,377 in capital assets and \$1,326,912 in accumulated depreciation.
- During the year, the department purchased \$225,188 in capital assets, including a service truck and various firefighting and office equipment. There were two asset dispositions, a fully depreciated station security camera with an original cost of \$2,839, and an ice machine with an original cost of \$4,521. The ice machine was not fully depreciated, resulting in a loss on the disposition of \$1,169.
- Current liabilities decrease by \$4,865 or 25.7% from the prior year. Accounts payable was higher than normal in the prior year due to a large equipment purchase that was payable at year end.

B. STATEMENT OF ACTIVITIES

The following table illustrates the revenues and expenses that produced the increase in net position for the fiscal year:

	2013	2012
Revenue		
General revenue	\$ 304,775	\$ 322,287
Total revenue	304,775	322,287
Expenses		
Public safety - fire protection	244,826	275,680
Total expenses	244,826	275,680
Change in net position	59,949	46,607
Net position:		
Beginning of the year	\$ 1,627,780	\$ 1,581,173
End of the year	\$ 1,687,729	\$ 1,627,780

- The department's total revenues decreased by \$17,512 or 5.7%. This is attributable to a slight decrease in Ad Valorem and Sales Tax revenue.
- The department's total expenses decreased by \$30,854 or 11.2%. The most significant decreases are in repairs and maintenance and supplies and materials.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
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Management's Discussion and Analysis
For the year ended December 31, 2013

- The department's change in net position is \$59,949 resulting in ending net position of \$1,687,729. This change represents an increase 3.7%.

GOVERNMENTAL FUND

The department uses funds to help control and manage money for particular purposes. At the completion of the year, the department's governmental fund reported a fund balance of \$653,625. This reflects a decrease of \$35,587 from last year.

CAPITAL ASSETS

During the year, the department purchased \$225,188 in capital assets, including a service truck and various firefighting and office equipment. There were two asset dispositions, a fully depreciated station security camera with an original cost of \$2,839, and an ice machine with an original cost of \$4,521.

LONG-TERM DEBT

During the year, the department had no long-term debt activity.

GENERAL FUND BUDGETARY HIGHLIGHTS

Because the department is a quasi-public entity, it is not required by law to adopt a budget.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The department has plans to purchase a new unit for the chief in 2014.
- The department plans to begin remodel on station #91.
- The department does not foresee any other significant changes to its operation in 2014.

CONTACTING THE FIRE DEPARTMENT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the department's finances and to show the department's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Christine Masotti, 410 1st Street, Des Allemands, Louisiana 70030.

CLOSING COMMENTS

The department continues to closely monitor the use of its funds to ensure that the funds are spent wisely. We are very proud of the progress that has been made throughout the parish in fire protection to all our citizens.

Basic Financial Statements

Government-Wide Financial Statements

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

Statement of Net Position
(Excluding the Membership Account Fund)
December 31, 2013

	Governmental Activities
Assets	
Current assets:	
Cash	\$ 633,663
Receivables:	
Ad valorem taxes	204,639
Sales taxes	34,035
Total current assets	872,337
Noncurrent assets:	
Capital assets, not being depreciated	24,000
Capital assets, net of accumulated depreciation	805,465
Total noncurrent assets	829,465
Total assets	\$ 1,701,802
Liabilities	
Current liabilities	
Accounts payable	\$ 14,073
Total current liabilities/Total liabilities	\$ 14,073
Net Position	
Investment in capital assets, net of related debt	\$ 829,465
Unrestricted	858,264
Total net position	\$ 1,687,729

The accompanying notes are an integral part of this statement.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

Statement of Activities
(Excluding the Membership Account Fund)
For the Year Ended December 31, 2013

	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants & Contributions	
Expenses:				
Governmental activities:				
Public safety - fire protection:				
Repairs and maintenance	\$ 19,204	\$ -	\$ -	\$ (19,204)
Professional fees	4,430	-	-	(4,430)
Insurance	31,482	-	-	(31,482)
Fuel	2,279	-	-	(2,279)
Supplies and materials	13,172	-	-	(13,172)
Utilities and telephone	16,304	-	-	(16,304)
Training	392	-	-	(392)
Personnel insurance and medical	4,969	-	-	(4,969)
Fire prevention	2,373	-	-	(2,373)
Dues and subscriptions	5,139	-	-	(5,139)
Office expense	3,836	-	-	(3,836)
Installation of officers	1,049	-	-	(1,049)
Meals	2,589	-	-	(2,589)
Depreciation expense	136,439	-	-	(136,439)
Loss on disposition of assets	1,169	-	-	(1,169)
Total governmental activities	\$ 244,826	\$ -	\$ -	\$ (244,826)

General Revenues:

Ad valorem tax	\$ 195,759
Sales tax	99,563
Fire insurance rebate	8,791
Interest income	662
	<u>\$ 304,775</u>

Change in net position 59,949

Beginning of the year \$ 1,627,780

End of the year \$ 1,687,729

The accompanying notes are an integral part of this statement.

Basic Financial Statements

Fund Financial Statements

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

Balance Sheet - Governmental Fund
(Excluding the Membership Account Fund)
December 31, 2013

	General Fund
Assets	
Cash	\$ 633,663
Receivables:	
Ad valorem taxes	204,639
Sales taxes	34,035
Total Assets	\$ 872,337
 Liabilities and Fund Equity	
Liabilities	
Accounts payable	\$ 14,073
Deferred revenue	204,639
Total liabilities	\$ 218,712
 Fund equity and other credits	
Fund balance:	
Unreserved - unassigned	\$ 653,625
Total fund equity and other credits	\$ 653,625
Total liabilities, fund equity and other credits	\$ 872,337

The accompanying notes are an integral part of this statement.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

Statement Revenues, Expenditures, and Changes in Fund Balances
Governmental Fund
(Excluding the Membership Account Fund)
For the Year Ended December 31, 2013

	General Fund
Revenues	
Ad valorem tax	\$ 187,800
Intergovernmental revenues:	
Sales tax	99,563
Fire insurance rebate	8,791
Interest	662
	\$ 296,816
Expenditures	
Public safety - fire protection:	
Current:	
Repairs and maintenance	\$ 19,204
Professional fees	4,430
Insurance	31,482
Fuel	2,279
Supplies and materials	13,172
Utilities and telephone	16,304
Training	392
Personnel insurance and medical	4,969
Fire prevention	2,373
Dues and subscriptions	5,139
Office expense	3,836
Installation of officers	1,049
Meals	2,589
Capital outlay:	
Fire protection vehicle purchase	202,059
Equipment purchase	22,028
Furniture & fixture purchase	1,098
	\$ 332,403
Excess of revenues over/(under) expenditures	\$ (35,587)
Fund balance	
Beginning of year	\$ 689,212
End of year	\$ 653,625

The accompanying notes are an integral part of this statement.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
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**Reconciliation of the Governmental Fund Balance Sheet to the
Government-Wide Statement of Net Position
(Excluding the Membership Account Fund)
December 31, 2013**

Total Fund Balances - Governmental Funds	\$ 653,625
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet	829,465
Ad valorem taxes will be collected after year end; but, they are not available soon enough to pay for the current period expenditures; therefore they are reported as deferred revenue in the fund financial statements.	<u>204,639</u>
Total Net Position - Governmental activities	<u>\$ 1,687,729</u>

The accompanying notes are an integral part of this statement.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
Des Allemands, Louisiana

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
(Excluding the Membership Account Fund)
For the year ended December 31, 2013**

Net Change in Fund Balances - Governmental Funds \$ (35,587)

Amounts reported for governmental activities in the Statement of
Activities are different because:

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.

Capital assets purchased	\$	225,185	
Loss on disposition		(1,169)	
Depreciation expense		(136,439)	87,577

Ad valorem tax revenue in the statement of activities that do not provide
current resources is not reported as revenue in the fund financial
statements.

7,959

Change in Net Position - Governmental activities \$ 59,949

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

INTRODUCTION

Bayou Gauche Volunteer Fire Department, Inc. (the department) was organized as a non-profit quasi-governmental corporation to provide fire protection to the Parish of St. Charles. The department is exempt from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Funds Excluded From This Report

This Financial report does not include the Membership Account Fund. This fund does not include public money and is, therefore, not required to be audited. It is the only fund of the department that is not included in these financial statements, notes, and reports. The department's only other fund is the general fund.

B. Basis of Presentation

The department's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the department are discussed below.

C. Reporting entity

The department receives funding from local and state government sources and must comply with the same requirements of these funding source entities. However, the department is a "primary government" and is not included as a component unit of any other St. Charles Parish governmental "reporting entity" as defined in GASB pronouncements, since the entity is a non-profit corporation, and the board members have decision making authority, the power to designate management, the ability to significantly influence operations an primary accountability for fiscal matters. The department includes all activities that are controlled by it as a quasi-public non-profit corporation organized to provide fire protection to the Parish of St. Charles. The department has no component units.

The accounting and reporting policies of the department conform to generally accepted accounting principles as applicable to governmental units.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

D. Basic Financial Statements - Government-wide Statements

The department's basic financial statements include both government-wide (reporting the department as a whole) and fund financial statements (reporting the department's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The department's general fund is its only fund and is classified as a governmental activity. The department has no business-type activities.

In the government-wide Statement of Net Position (Statement A), the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The department's net position is reported in two parts—invested in capital assets, net of related debt and unrestricted net position.

The government-wide Statement of Activities (Statement B) reports both the gross and net cost of the department's function. General government revenues (1/8 cent sales tax and ad valorem tax) support the function. The department does not receive related program revenues and operating grants, which would reduce gross expenses in the Statement of Activities.

This government-wide focus is on the sustainability of the department as an entity and the change in the department's net position resulting from the current year's activities.

E. Basic Financial Statements - Fund Financial Statements

The department uses funds to report on its financial position and the result of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate entity with a self-balancing set of accounts. Funds of the department are classified as governmental. This category, in turn, is divided into separate fund types. The fund classifications and a description of the only existing fund type follow:

Governmental Fund:

Governmental fund account for the department's entire general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term obligations. The general fund is the operating fund of the department and accounts for all financial resources. It is the department's only governmental fund.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

F. Basis of Accounting / Measurement Focus

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual:

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual:

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available.

“Available” means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

The department’s records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 20th day of the month following incurrence of the taxes by businesses.

An ad valorem issue is dedicated to the operations of the nine volunteer fire departments in St. Charles Parish. The tax millage expires in 2019. Each department is to receive one ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

Interest income on investments is recorded when the investments have matured and income is available.

All other revenues are recorded when received.

The majority of the department’s revenues are derived from the one-eighth of one percent sales tax and the ad valorem tax for operations.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

G. Budgets and Budgetary Accounting

The department was not required to prepare a budget for the year ended December 31, 2013.

H. Cash and Cash Equivalents

Under state law, the department may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Cash and cash equivalents, which include interest bearing demand deposit accounts and certificates of deposit with an original maturity of less than 90 days, are stated at cost, which approximates fair market value.

I. Investments

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

The department's only investments are certificates of deposit, with an original maturity of greater than 90 days, which are stated at cost, which approximates market. Investments in certificates of deposit are reported at cost because they are "nonparticipating" interest-earning investment contracts as discussed in GASB 31. The term "nonparticipating" means that the investment value does not vary with market interest rate changes. Investments which include securities traded on a national or international exchange are valued based on their last reported sales price (fair value). Investments that do not have an established market are reported at estimated fair value.

J. Inventories

Physical inventories consist of expendable supplies held for consumption. Because inventories are expended within one operating cycle they are recorded as expenditures when paid for and are not recorded as an inventory asset.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

K. Receivables

The financial statements of the department do not contain an allowance for uncollectible receivables because management believes all amounts will be collected. However, if management becomes aware of information that would change its assessment about the collectibility of any receivable, management would write off the receivable as a bad debt at that time.

L. Use of Estimates

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

M. Capital Assets

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation is recorded using the straight-line method over the useful lives of the assets as follows:

Buildings –	40 years
Building improvements -	10-40 years
Equipment -	5-15 years
Vehicles -	5-15 years

In the fund financial statements, capital assets used in the department's operations are accounted for as capital outlay expenditures of the governmental fund that provided the resources to acquire the assets. Depreciation is not computed or recorded on capital assets for purposes of the fund financial statements.

N. Long-Term Obligations

In the government-wide financial statements, debt and principal payments of both government and business-type activities are reported as decreases in the balance of the liability on the Statement of Net Position. In the fund financial statements, however, debt and principal payments of governmental funds are recognized as expenditures when paid.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

O. Net Position/Fund Balances

In the Government Wide Financial Statements, the difference between a government's assets and liabilities is recorded as net position. The three components of net position are as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowing attributable to the acquisition, construction or improvement of capital assets.

Restricted Net Position

Net position that is restricted by external sources such as creditors, grantors, contributors, or by law through either enabling legislation or constitutional provisions is reported separately as restricted net position. When assets are required to be retained in perpetuity, this non-expendable net position is recorded separately from expendable net position. This is components of restricted net position.

Unrestricted Net Position

All other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund financial statements, governmental fund equity is classified as fund balance. As such, fund balance of the governmental fund is classified as follows:

Nonspendable

Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted

Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed

Amounts that can be used only for specific purposes determined by a formal decision of the Board of Commissioners.

Assigned

Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned

All other spendable amounts.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

NOTE 2. CASH AND CASH EQUIVALENTS

At December 31, 2013, the department had interest-bearing demand deposits (book balances) of \$633,663, as follows:

<u>Cash & Cash Equivalents</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Credit Risk Category</u>
Cash:					
First National Bank *U*S*A - Checking	<u>\$633,663</u>	<u>\$ 633,663</u>	0.25%	Demand	Category 1 & 3
Total Cash & Cash Equivalents	<u>\$633,663</u>	<u>\$ 633,663</u>			

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities must be held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At year-end, the total balance of the department's checking account (bank balance) was \$638,836, which was held at First National Bank *U*S*A. The total amount secured by FDIC insurance was \$250,000 (category 1). The remaining balance of \$388,836 was secured by pledged securities (category 3). All bank balances were secured at year-end.

NOTE 3. RECEIVABLES

The receivables at December 31, 2013, consisted of ad valorem taxes in the amount of \$204,639, and sales taxes in the amount of \$34,035.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

NOTE 4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Balance at 12/31/2012	Additions	Deletions	Balance at 12/31/2013
Capital assets not being depreciated:				
Land	\$ 24,000	\$ -	\$ -	\$ 24,000
Total capital assets not being depreciated	24,000	-	-	24,000
Capital assets being depreciated:				
Buildings	411,054		-	411,054
Land Improvements	21,098	-	-	21,098
Vehicles	1,072,446	202,059	-	1,274,505
Equipment	400,503	22,030	(6,910)	415,623
Furniture & Fixtures	8,998	1,098	-	10,096
Total capital assets being depreciated	1,914,099	225,187	(6,910)	2,132,376
Less: accumulated depreciation	(1,196,213)	(136,439)	5,741	(1,326,911)
Total capital assets being depreciated, net	717,886	88,748	(1,169)	805,465
Total capital assets, net	\$ 741,886	\$ 88,748	\$ (1,169)	\$ 829,465

Depreciation expense for the year was \$136,439.

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

NOTE 5. FIRE PROTECTION CONTRACT

Effective March 1, 1980, sales tax in the amount of one-eighth of one percent is collected by the St. Charles Parish School Board and administered by the Parish President. The sales tax is to be used for the fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen's Association, Inc. Effective April 4, 2011 (Ord#11-4-4), the sales tax is distributed on the following basis:

<u>Department</u>	<u>Basis</u>	<u>Funds</u>
Bayou Gauche Volunteer Fire Dept., Inc.	\$2,500	3.78%
Des Allemands Volunteer Fire Dept., Inc.	\$2,500	4.10%
East Side St. Charles Volunteer Fire Dept., Inc.	\$2,500	22.72%
Hahnville Volunteer Fire Dept., Inc.	\$2,500	7.00%
Killona Volunteer Fire Dept. Inc.	\$2,500	1.47%
Luling Volunteer Fire Dept., Inc.	\$2,500	30.85%
Norco Area Volunteer Fire Dept., Inc.	\$2,500	9.81%
Paradis Volunteer Fire Dept., Inc.	\$2,500	4.93%
St. Rose Volunteer Fire Dept., Inc.	\$2,500	15.34%

The department receives a monthly base amount of \$2,500 plus 3.78% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2013, was \$99,563.

Sales tax receivable at December 31, 2013, consists of the department's share of the 1/8th cent sales tax for the months of November and December 2013, collected on or before December 20, 2013, by the St. Charles Parish School Board and remitted by St. Charles Parish in January and February 2014. The total sales tax receivable for the year ended December 31, 2013 was \$34,035.

NOTE 6. AD VALOREM TAX

Effective July 21, 1990, the voters of St. Charles Parish approved a property tax millage in the amount of 1.6 mills. This tax is collected by the St. Charles Parish Sheriff to be used for the fire protection of the Parish of St. Charles. The funds are distributed when collected to the nine individual fire departments of the St. Charles Parish Firemen's Association, Inc. by the parish's Department of Finance. The Bayou Gauche Volunteer Fire Department's share of the total property tax for the year ended December 31, 2013, was \$195,759 at a millage rate of 1.55.

The ad valorem tax is levied each year by the St. Charles Parish Assessor on November 15 based upon the assessed value, less homestead exemptions. The 1st day of January preceeding the annual levy date (Nov. 15th) is used as the date to value the property subject to tax. The tax becomes due on November 15 and is considered delinquent if not paid by

**BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.
DES ALLEMANDS, LOUISIANA**

Notes to the Financial Statements
As of and for the year ended December 31, 2013

December 31. Most of the property tax revenues are collected during the months of December, January, and February.

Government-wide financial statements

Ad valorem tax revenue is recognized in the year for which the taxes are levied.

Revenue is recognized as the current year's assessment less the uncollected portion of the prior year's assessment.

Fund financial statements

The department does not consider the current year's assessment to be "available" for current year expenditures and budgets the revenue to be used in the year following the assessment, when the majority of the taxes are actually collected.

NOTE 7. GRANTS

The department did not receive any grant revenue for the year ended December 31, 2013.

NOTE 8. RISK MANAGEMENT

The department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; illnesses or injuries to its volunteers; and natural disasters. The department has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. There have been no significant reductions in coverage from the prior year. No settlements were made during the current or prior three fiscal years that exceeded the department's insurance coverage.

The department's management has not purchased commercial insurance or made provisions to cover or reduce the risk of loss, as a result of business interruption and certain acts of God, like floods or earthquakes.

NOTE 9. SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through June 26, 2014, which is the date the financial statements were available to be issued.

NOTE 10. LITIGATION AND CLAIMS

At December 31, 2013, the department had no litigation or claims pending.

Reports by Management

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.

Summary of Schedule of Prior Audit Findings As of and for the Year Ended December 31, 2013

Section I – Internal Control and Compliance Material to the Financial Statements:

Ref. No. 1212-01

Inadequate Segregation of Duties

Description of Finding

The size of the Bayou Gauche Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

Corrective Action Taken

This deficiency cannot be remedied in a cost effective manner.

Ref. No. 1212-02

Inadequate Controls over Financial Statement Preparation

Description of Finding

A material weakness exists in financial reporting because the Department does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Plan

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the Department at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.

**Summary of Schedule of Prior Audit Findings
As of and for the Year Ended December 31, 2013**

Ref. No. 1212-03

Non Compliance with Louisiana's financial reporting laws R.S. 24:513 and 24:514

Description of Finding

Under Louisiana's financial reporting laws (R.S. 24:513 and 24:514), Bayou Gauche Volunteer Fire Department, Inc. is required to provide an annual financial report to the Louisiana Legislative Auditor's Office no later than six months after its year end.

The Fire Department failed to comply with these laws, submitting this required report to the state approximately three months after the required deadline.

Management's Response and Corrective Action Plan

The Bayou Gauche Volunteer Fire Department, Inc. agreed with the finding of its inability to provide an annual financial report to the Louisiana Legislative Auditor's Office no later than six months after its year end. The department reviewed this process and educated those involved to ensure this doesn't reoccur.

Date Completed

September 10, 2013

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2013**

**Section I – Internal Control and Compliance Material to the
Financial Statements:**

Ref. No. 1213-01

Inadequate Segregation of Duties

Description of Finding

The size of the Bayou Gauche Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

This is a common deficiency noted in audits of small entities. The Department's office does not employ enough people in its accounting department to adequately segregate duties such as approving purchase orders, approving invoices for payment, printing checks, recording checks, signing checks, mailing checks, and reconciling bank statements. This is one example of the circumstances that resulted in the finding.

Corrective Action Taken

This deficiency cannot be remedied in a cost effective manner.

Name of Contact Person

Christine Masotti, President

Anticipated Completion Date

None

BAYOU GAUCHE VOLUNTEER FIRE DEPARTMENT, INC.

**Summary of Schedule of Current Year Audit Findings
As of and for the Year Ended December 31, 2013**

Ref. No. 1213-02

Inadequate Controls over Financial Statement Preparation

Description of Finding

A material weakness exists in financial reporting because the Department does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.

Corrective Action Plan

Management has evaluated the cost versus benefit of hiring a person who has the qualifications and training to apply generally accepted accounting principles in the preparation of financial statements. Management has determined that it is in the best interest of the Department at this time, to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them. Management understands that it accepts final responsibility for the financial statements content and presentation.

Name of Contact Person

Christine Masotti, President

Anticipated Completion Date

None



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

**Board of Directors
Bayou Gauche Volunteer Fire Department, Inc.
Des Allemands, Louisiana**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the government activities, each major fund, and the aggregate remaining fund information of the Bayou Gauche Volunteer Fire Department, Inc. (the department) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the department's basic financial statements and have issued our report thereon dated June 26, 2014.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of current year audit findings to be material weaknesses, see findings (1213-01 and 1213-02).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the department's financial statements are free from material misstatement, we performed tests of its compliance with certain

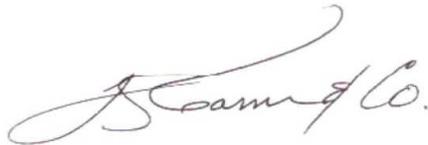
provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Departments Response to Findings

The department's response to the findings identified in our audit is described in the accompanying schedule of current year audit findings. The department's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



Thibodaux, Louisiana
June 26, 2014

Management Letter

**To the Management and
The Board of Directors of
Bayou Gauche Volunteer Fire Department, Inc.**

In planning and performing our audit of the financial statements of the Bayou Gauche Volunteer Fire Department, Inc. (the department) for the year ended December 31, 2013, we considered the department's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of several matters that are an opportunity for strengthening internal controls and operating efficiency. (We previously reported on the department's internal control in our report dated June 26, 2013). This letter does not affect our report dated June 26, 2014, on the financial statements of the Bayou Gauche Volunteer Fire Department, Inc.

We will review the status of this comment during our next audit engagement. We have already discussed these suggestions with the department's management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Timely Deposit of Checks Received

Cash receipts are not being deposited on a timely basis.

During the course of our audit, we noticed seven checks for sales tax revenues received during the year which were held for at least three weeks, two as long as two months, prior to being deposited in the department's bank account.

As a result, not only is there risk of loss from burglary, misplacement, or misappropriation, but the cash is not available for expenditures or investment. We recommend that deposits be made within a week of receipt, both to improve cash flow and to reduce the risk of loss.

Failure to maintain back-up of computerized accounting system

Computerized accounting records are not being backed up.

Prior to beginning our current audit, the computer used to maintain the department's accounting records was damaged and the data could not be recovered. At the time, the department was not making proper back-ups of this information.

As a result, the Treasurer had to record all of the department's 2013 transactions again into the accounting system; therefore, delaying the commencement of the audit, and jeopardizing the accuracy of the financial information. We recommend that the department make, at minimum, monthly back-ups of its computer information, and maintain that back-up off-site, in a separate location.

In reviewing the above items with management, they agree with the suggestions presented here and will work towards implementing the cash deposit recommendation. The department now has a back-up system in place for their computerized accounting records.

We wish to thank the President, Treasurer, Chief, Board, and other volunteers of the Bayou Gauche Volunteer Fire Department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



June 26, 2014