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Marrero-Ragusa Volunteer Fire Company No. 3

Financial Statements

With Independent Auditor's Report Thereon

For the Year Ended December 31, 1999

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Release Date 09-06-00

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CPA

Certified Public Accountant, APC

BRIAN E. ADORNO

3053 Mercedes Boulevard • First Floor
New Orleans, Louisiana 70114

Phone: (504) 227-2280
Fax: (504) 227-2290

Business • Taxes • Finance • Estates

Member:

Louisiana Bar Association

American Institute of Certified Public Accountants

Louisiana Society of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marrero-Ragusa Volunteer Fire Company No. 3

I have audited the accompanying statement of financial position of Marreo-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) as of December 31, 1999, and the related statements of activity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with general accepted auditing standards. These 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Ragusa Volunteer Fire Company No. 3 as of December 31, 1999, and the changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Schedule I is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, I have also issued a report dated June 28, 2000, on my consideration of Marrero-Ragusa Volunteer Fire Company No. 3's internal control and compliance with laws and regulations.

Brian E. Adorno, CPA

June 28, 2000

MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF FINANCIAL POSITION

December 31, 1999

ASSETS

Cash		$216,602
Certificates of deposit		86,181
Refund receivable		50
Property and equipment, net of accumulated depreciation		1,401,773
TOTAL ASSETS		$1,704,606

LIABILITIES

Current Liabilities		
Accounts payable		$33,096
Accrued salaries and related taxes		23,147
Accrued interest payable		8,359
State withholding payable		1,084
Compensated absences		14,119
Pension plan payable		3,081
Lease obligation		43,250
Total Current Liabilities		126,136
Long-term Liabilities		
Lease obligation		452,250
Total Long-term Liabilities		452,250
TOTAL LIABILITIES		578,386

NET ASSETS

Unrestricted Net Assets:		
Operating	1,126,220	
Total Unrestricted Net Assets		1,126,220
TOTAL NET ASSETS		1,126,220
TOTAL LIABILITIES AND NET ASSETS		$1,704,606

See accompanying notes.

MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF ACTIVITY

For the Year Ended December 31, 1999

UNRESTRICTED NET ASSETS	
REVENUE	
Support	
Firefighting contract	$916,548
Donated firefighting services	7,586
Interest	11,006
Social funds	29,960
Total Unrestricted Support	965,100
Gain on the disposal of assets	133,135
Total Unrestricted Revenue	1,098,235
EXPENSES	
Program services - Firefighting	781,887
Supporting services - Management and general	58,000
Supporting services - Social	29,681
Total Expenses	869,568
INCREASE IN UNRESTRICTED NET ASSETS	228,667
NET ASSETS AT BEGINNING OF YEAR	897,553
NET ASSETS AT END OF YEAR	1,126,220

See accompanying notes.

MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1999

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	$228,667
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	73,454
Gain from disposal of assets	(133,135)
(Increase) decrease in:	
Refund receivable	(50)
Increase (decrease) in:	
Accounts payable	23,962
Accrued salaries & related taxes	(676)
Accrued interest payable	8,359
LA state withholding	(290)
Pension plan payable	1,017
Compensated absences	4,174
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	205,482
CASH FLOWS FROM INVESTING ACTIVITIES	
Gross proceeds from the sale of assets	137,000
Proceeds from redemption of short-term investments	120,435
Purchase of short-term investments	(6,000)
Acquisition of equipment	(982,247)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(730,812)
CASH FLOWS FROM FINANCING ACTIVITIES	
Capital lease proceeds	495,500
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	495,500
NET INCREASE (DECREASE) IN CASH	(29,830)
CASH AT BEGINNING OF YEAR	246,432
CASH AT END OF YEAR	$216,602
SUPPLEMENTAL DISCLOSURES	
Interest paid	$41

See accompanying notes.

NOTE 1 – DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Activities

Marrero-Ragusa Volunteer Fire Company No. 3 (the Company) was established in 1954 to provide fire-fighting and rescue service to a designated area of the Eighth Fire District on the West Bank of Jefferson Parish, Louisiana (a separate entity). In addition, the Company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The Company maintains three fire stations and has eighteen paid employees and approximately thirty-five volunteers.

Method of Accounting, Revenue Recognition

The Company receives funds from the proceeds of an ad valorem tax millage and other funding under a contract with the Jefferson Parish Council to support its firefighting and rescue services. Ad valorem tax support is recognized when received by the Company. Expenditures are recorded when the related liability is incurred.

Financial Statement Presentation

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Nonprofit Organizations." Under SFAS No. 117, the Company is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Company is required to present a statement of cash flows.

Contributions

The Company adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions.

SFAS No. 116 provides that the value of donated services is to be recognized in financial statements if the services required specialized skills, are provided by persons possessing those skills, and the services would be purchased if they were not donated. The Company's volunteer firefighters undergo extensive specialized training, and the firefighting services would be purchased by the Company or Jefferson Parish if the services were not provided by volunteers. Accordingly, donated firefighting services are recognized in the financial statements at estimated fair value.

NOTE 1 – DESCRIPTION OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Company is exempt from income taxes under Internal Revenue Code section 501(c)(4) as a nonprofit organization and, accordingly, the financial statements do not reflect a provision for income taxes.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash is defined as all unrestricted highly liquid investments with an initial maturity of three months or less.

Property and Equipment

Property and equipment are stated at acquisition cost. The Company capitalizes all property and equipment with an acquisition cost of $500 or more with an estimated useful life as scheduled below. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

Automobiles	3 - 5 years
Furniture and fixtures	5 - 10 years
Fire-fighting and rescue equipment	3 - 12 years
Buildings	35 years
Improvements	15 years

Fair Value of Financial Instruments

Statement of Financial Accounting Standards No. 107, "Disclosures About Fair Value of Financial Instruments," requires disclosure of the fair value of certain financial instruments. Cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities are reflected in the financial statements at fair value because of the short-term maturity of these instruments.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND SHORT-TERM INVESTMENTS

At December 31, 1999, the Company maintained cash balances and certificates of deposit in three local banks. The certificates of deposit are classified as short-term investments because original maturities exceed three months. The bank balances totaled $305,422 and the book balances totaled $302,783 as follows:

	Book Balance	Bank Balance
Cash and money market accounts	$216,602	$219,241
Certificates of deposit	86,181	86,181
Total cash and short-term investments	$302,783	$305,422

Bank balances totaling $265,264 were insured by federal deposit insurance. The remaining balance of $40,158 was uncollateralized as of December 31, 1999. Private fundraising monies are segregated from other funds and the bank and book account balances maintained by the Company are both $8,677 and $7,000, respectively, and are included in the above totals.

NOTE 3 - PROPERTY AND EQUIPMENT

Below is a summary of the Company's property and equipment at December 31, 1999:

Land	$ 127,000
Buildings	365,679
Buildings improvements	41,317
Vehicles	1,030,519
Firefighting equipment	123,289
Communication equipment	97,887
Furniture and fixtures	121,520
	1,907,211
Less accumulated depreciation	(505,438)
Net property and equipment	$1,401,773

NOTE 3 - PROPERTY AND EQUIPMENT (continued)

Depreciation totaled $73,454 for the year ended December 31, 1999.

In April 1999, the Company sold one Grumman Pumper fire truck to Tangipahoa Parish Rural Fire Protection District No. 2 for the sum of $47,000. The net book value of this asset was zero, resulting in a gain of $47,000. During September 1999, the Company sold two Grumman Pumpers to Livingston Parish Fire Protection District No. 10 for the sum of $45,000 each. The net book values of these assets were $3,865, resulting in a gain of $86,135.

On September 2, 1999 the Company acquired three 1999 Inferno Pumper fire trucks making cash outlay of $154,414 and financing the balance of the acquisition price of $495,500 as noted below. These three trucks are recorded as an asset acquisition with a total cost of $649,914.

In November 1999, the Company acquired a new 1999 Ferrara Custom Rescue fire truck with a fair value of $298,389, in exchange for a 1984 Rescue fire truck with a fair value of $37,000 plus a cash payment of $261,389. The 1984 Rescue fire truck had been fully depreciated at the date of exchange and no gain or loss was recognized on this transaction.

NOTE 4 - DONATED SERVICES

Marrero-Ragusa volunteer firefighters responded to calls for service on approximately four hundred eight-three occasions during 1999. The value of these volunteer services is computed using the average pay for the Company's paid personnel during the year, multiplied by an average response duration of 1.0 hours, with the result multiplied by the number of rolls responded to by volunteers during the year. For 1999, the average hourly pay was $8.06 per hour for straight time, and there were approximately 947 responses by volunteer personnel, resulting in an estimated value of $7,586 for volunteer firefighting services, which is reported as revenue and firefighting expense.

NOTE 5 - ACCRUED ABSENCES

The Company's paid operators accrue vacation at varying rates based on their term of service. At December 31, 1999, sixteen employees had accumulated a total of $14,119 of unused vacation.

NOTE 6 - CAPITAL LEASE OBLIGATION

On September 2, 1999, the Company executed a financing lease-purchase agreement with Government Capital Corporation for the acquisition of three 1999 Inferno Pumper fire trucks. The total cost and accumulated depreciation recorded of the equipment financed by the capital lease was $649,914 and $18,053, respectively at December 31, 1999. This agreement is secured by the three fire trucks and title to these apparatus are held by the financing company. The lease obligation is amortized requiring ten annual payments of $66,599 due July 1 of each year and includes an interest charge of 6.037% per annum. The Company is solely responsible for any damages to, destruction of, repairs and/or maintenance of the trucks. The Company has the option to purchase the trucks "as is" at annual payment dates with written prior notification of not less than sixty days. Accrued interest expense recorded for this obligation for 1999 is $8,359.

Future value of minimum lease payments is as follows at December 31:

Future minimum lease payments	$665,988
Less: amount representing interest	(170,488)
Present value of net minimum lease payments	495,500
Less: current portion due within one year	(43,250)
Long-term capital lease obligation	$452,250

Minimum future lease payments for each of the next five years and thereafter:

	Minimum Future Payments	Interest	Option to Purchase Amounts
2000	$66,599	$23,349	$43,250
2001	$66,599	$27,302	$39,297
2002	$66,599	$24,930	$41,699
2003	$66,599	$22,414	$44,185
2004	$66,599	$19,747	$46,852
Thereafter	$332,993	$52,746	$280,247
Totals	$665,988	$170,488	$495,500

NOTE 7 – EMPLOYEE BENEFIT PLANS

Beginning January 1, 1997, the Company established a 401(k) retirement plan for all eligible employees. Eligible employees may elect to contribute up to 2% of their gross salary not to exceed federal tax law limitations, which may be adjusted each year based on cost of living calculations. The maximum contribution by the Company is limited by federal tax law, and employer match is 100% of employee deferrals. During 1999, the Company contributed $18,681 to the plan.

NOTE 8 - EXPENSES PAID BY OTHERS

The full-time firefighters of the Company receive supplemental pay from the State of Louisiana under the provisions of L.R.S. 33:2002. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the Company, they are not included in these financial statements.

NOTE 9 – SOCIAL FUNDS

The Company maintains separate funds derived from fund-raising activities, principally an annual haunted house. During the year ended December 31, 1999, the Company collected $29,960 from all social activities, and recognized expenses totaling $29,681. Included in the above totals, the annual haunted house raised $24,368 in revenue and expenses incurred totaled $11,212 for 1999.

NOTE 10 – ECONOMIC DEPENDENCY, FIRE PROTECTION CONTRACT

Substantially all of the Company's public support is derived from funds provided by Jefferson Parish. On September 2, 1994, the Company signed a ten year contract with Jefferson Parish, effective April 1, 1994, under which the Company receives one-third of certain ad valorem taxes assessed within the Eighth Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates.

Management is not aware of any plans on the part of Jefferson Parish to terminate the contract.

NOTE 11 – FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 12 – YEAR 2000 COMPLIANCE

The "Year 2000" Issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that could have adversely affected the Organization's operations as early as fiscal year 1999.

Because of the Year 2000 Issue, Marrero-Ragusa's computer systems, other electronic equipment, and software have been upgraded over the past several years. These upgrades are believed by management to be Year 2000 compliant.

Because of the unprecedented nature of the Year 2000 Issue, its effects are not fully determinable until year 2000 and thereafter. Management cannot absolutely assure that the Organization is Year 2000 ready or the parties with whom the fire station does business will be Year 2000 ready.

SUPPLEMENTAL INFORMATION

MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 1999

EXPENSES	Fire-Fighting	Support Services: Management and General	Support Services: Social	Total
Salaries and wages	$430,912	$15,420	-	$446,332
Insurance	103,435	-	-	103,435
Depreciation	73,454	-	-	73,454
Payroll taxes	37,557	1,180	-	38,737
Donated firefighting services	7,586	-	-	7,586
Telephone and utilities	-	24,439	-	24,439
Social expenses	-	-	$29,681	29,681
Fire station supplies	25,873	-	-	25,873
Repairs - station & vehicles	25,404	-	-	25,404
Entertainment	-	1,503	-	1,503
Equipment	12,127	-	-	12,127
Radio expense	3,346	-	-	3,346
Accounting and legal	-	9,573	-	9,573
Fuel	5,172	-	-	5,172
Office expense	-	1,507	-	1,507
Medical expenses	5,489	-	-	5,489
Uniforms	11,874	-	-	11,874
Dues and subscriptions	-	1,754	-	1,754
Miscellaneous	-	766	-	766
Interest expense	8,359	41	-	8,400
Retirement contribution	18,681	-	-	18,681
Retirement plan administration	1,750	-	-	1,750
Training and travel	10,868	-	-	10,868
Advertising	-	1,586	-	1,586
Bank charges	-	231	-	231
Total	$781,887	$58,000	$29,681	$869,568

COMPLIANCE SECTION

CPA

Certified Public Accountant, APC

BRIAN E. ADORNO

3053 Mercedes Boulevard • First Floor
New Orleans, Louisiana 70114

Phone: (504) 227-2280
Fax: (504) 227-2290

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITNG STANDARDS*

Board of Directors
Marrero-Ragusa Volunteer Fire Company No 3

I have audited the general purpose financial statements and combining, individual fund and account group financial statements of Marrero-Ragusa Volunteer Fire Company No 3, as of and for the year ended December 31, 1999, and have issued our report thereon dated June 28, 2000. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marrero-Ragusa's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material affect 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 that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Marrero-Ragusa's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by an employee in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and the Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Brian E. Adorno, CPA
A Professional Corporation

New Orleans, Louisiana
June 28, 2000

MARRERO-RAGUSA VOLUNTEER FIRE CO. # 3
SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 1999

Section I Internal Control and Compliance Material to the Financial Statements

No findings had been reported.

Section II Internal Control and Compliance Material to Federal Awards

No findings had been reported.

Section III Management Letter

Petty Cash

Company does not maintain a consistent plan for the reconciliation of petty cash funds.	Unresolved – See Management Letter Comment 1999-1

Delivery of Books and Records

The Company is to provide books and records to the auditor by April of the following year of audit.	Resolved

CPA

Certified Public Accountant, APC

BRIAN E. ADORNO

3053 Mercedes Boulevard ♦ First Floor
New Orleans, Louisiana 70114

Phone: (504) 227-2280
Fax: (504) 227-2290

June 28, 2000

To the Board of Directors
Marrero-Ragusa Volunteer Fire Co. # 3

In planning and performing my audit of the financial statements of Marrero-Ragusa Volunteer Fire Co. # 3 for the year ended December 31, 1999, I considered the Organization's internal control structure to plan my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on internal control structure.

However, during my audit, I became aware of several matters that are opportunities for strengthening internal controls and operational efficiency. (I previously reported on the Organization's internal control structure in my report dated June 28, 2000.) This letter does not affect my report dated June 28, 2000 on the financial statements of Marrero-Ragusa Volunteer Fire Co. # 3.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with the appropriate members of management. I 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. My comments are summarized as follows:

1999-1 Petty Cash

Observation
It was noted that the Company does not have a consistent plan for the reconciliation of petty cash funds.

Recommendation
I recommend that the Company reconcile petty cash accounts monthly in order to maintain the predetermined balances as defined by Management.

1999-2 Credit Card Purchases-Receipts, Invoice Approval, and Coding of Expenses

Observation

The Company did not retain all receipts for their purchases using credit cards, and credit card statements lacked approval for payment. Most of the payments made on credit balances were coded to shop supplies, however, expenses existed for asset acquisitions, convention attendance, and other travel expenses.

Recommendation

I recommend that the Company retain all point of sale purchase receipts and reconcile credit card statements with receipts monthly. Credit statements and all receipts to substantiate purchases should be approved before payment is made. Preset spending limits should also be determined prior to travel taking place. A list should accompany each statement with a breakdown of each type of expenditure for the month and given to the bookkeeper for proper coding and classification.

1999-3 Cash Management

Observation

It was noted that during the prior year that the Company's bank balance exceeded federal deposit insurance limits at year-end and the excess account balances were not secured by additional pledged collateral by the financial institution.

Recommendation

Management should make substantial efforts to either maintain bank balances below federal deposit insurance limits thereby eliminating the need to pledge securities, or make arrangements with financial institutions to secure bank balances in excess of federal insurance with pledged securities.

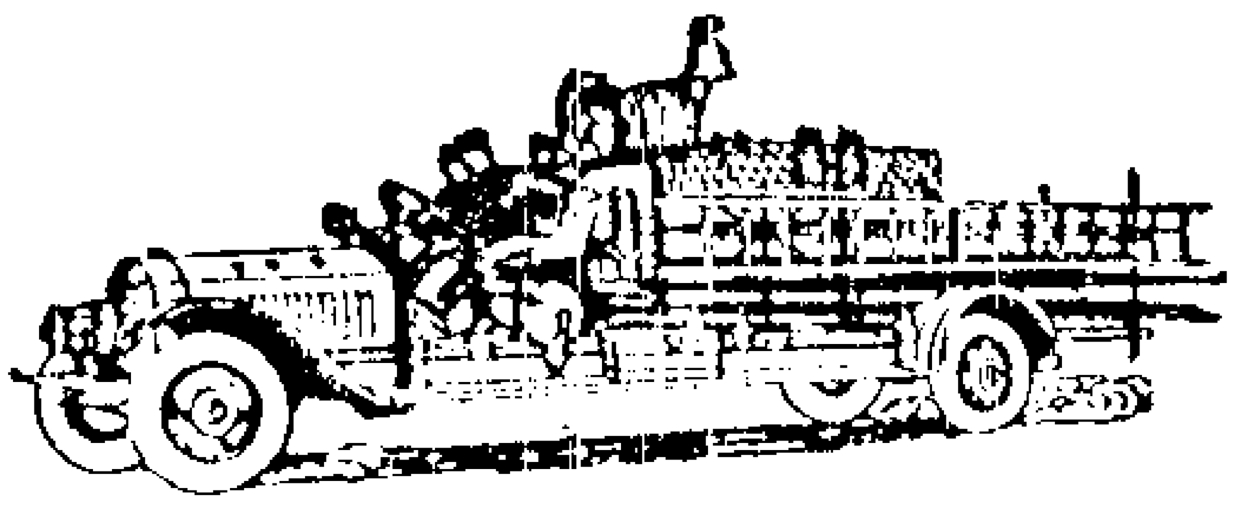
I wish to thank Ms. Annette Lee and Mr. Bill Barbier for their support and assistance during my audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization.

Brian E. Adorno, CPA

A Professional Corporation

MARRERO - RAGUSA VOLUNTEER FIRE CO. No. 3



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MARRERO-RAGUSA VOLUNTEER FIRE CO. # 3
MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 1999

Section I -- Internal Control and Compliance Material to the Financial Statement

No suggestions made.

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable. No suggestions made.

Section III – Management Letter

1998-1 Petty Cash

Suggestion: Monthly reconciliation's of petty cash accounts and maintenance of predetermined balances.

Action: Monthly reconciliation's will be done by the end of the first week following the quarter then ended with proper maintenance of petty cash balances.

1999-2 Credit Card Purchases-Receipts, Invoice Approval, and Coding of Expenses

Suggestion: Reconcile credit card statements with receipts monthly, approval of purchases before payment is made, and a list of expenditures for proper coding and classification. Preset spending limits should also be determined prior to travel taking place.

Action: A monthly listing of credit card expenditures will be made and given to the bookkeeper. All credit card statements will be approved before payment is made and a monthly reconciliation of receipts for purchases and credit card statement items will be made.

1999-3 Cash Management

Suggestion: Management should make a substantial effort to either maintain bank balances below federal deposit insurance limits thereby eliminating the need to pledge securities, or make arrangements with financial institutions to secure bank balances in excess of federal insurance with pledged securities.

Action: Bank balances will be maintained below federal deposit insurance limits. Should balances exceed federal deposit insurance limits, pledged securities will be required of the financial institution to secure the deposits held by them.

MARRERO-RAGUSA VOLUNTEER FIRE CO. # 3

Signature: John Q Bailey

Title: PRESIDENT