MARRERO-HARVEY
VOLUNTEER FIRE COMPANY

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT THEREON

YEAR ENDED DECEMBER 31, 1995

SHARP & ADORNO
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL ACCOUNTING CORPORATION

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SHARP & ADORNO

CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL ACCOUNTING CORPORATION

R. PATRICK SHARP, III
BRIAN E. ADORNO, J.D.

KELLY C. MAURICE
JOSEPH T. GARDEMAL III

2439 Manhattan Boulevard
Suite 205
Harvey, Louisiana 70058
(504) 362-5340
FAX(504) 362-5843

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marrero-Harvey Volunteer Fire Company

We have audited the accompanying statement of financial position of Marrero-Harvey Volunteer Fire Company (a nonprofit organization) as of December 31, 1995, and the related statements of activity, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Harvey Volunteer Fire Company as of December 31, 1995, and the changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

As discussed in Note 8, the Company has not applied for or received tax-exempt status from the federal government. The financial statements do not include an adjustment for any liability that may result from the actions of the Company and federal agencies relative to this instance of noncompliance.

As discussed in Note 1, in 1995 the Company changed its method of accounting for contributions and its method of financial reporting and financial statement presentation.

Our 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 our 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*, we have also issued a report dated June 28, 1996, on our consideration of Marrero-Harvey Volunteer Fire Company's internal control structure and a report dated June 28, 1996, on its compliance with laws and regulations.

Sharp & Adorno
A Professional Accounting Corporation

Harvey, Louisiana

June 28, 1996

MARRERO-HARVEY
VOLUNTEER FIRE COMPANY

STATEMENT OF FINANCIAL POSITION

December 31, 1995

ASSETS	
Cash and equivalents	$692,736
Property and equipment, net of accumulated depreciation	882,713
TOTAL ASSETS	$1,575,449
LIABILITIES	
Accounts payable	$13,447
Accrued salaries and related taxes	10,457
TOTAL LIABILITIES	23,904
NET ASSETS	
Unrestricted	1,551,545
TOTAL NET ASSETS	1,551,545
TOTAL LIABILITIES AND NET ASSETS	$1,575,449

The accompanying notes are an integral part of this statement.

MARRERO-HARVEY
VOLUNTEER FIRE COMPANY

STATEMENT OF ACTIVITY

For the Year Ended December 31, 1995

UNRESTRICTED NET ASSETS

Support	
Firefighting contract	$738,308
Donated firefighting services	6,000
Interest	12,742
Other income	2,708
Total Support	759,758
Expenses	
Program services - Firefighting	536,512
Supporting services - Management and general	37,903
Total Expenses	574,415
INCREASE IN UNRESTRICTED NET ASSETS	$185,343

The accompanying notes are an integral part of this statement.

MARRERO-HARVEY
VOLUNTEER FIRE COMPANY

STATEMENT OF CHANGES IN NET ASSETS

December 31, 1995

UNRESTRICTED NET ASSETS

Balance, January 1, 1995, as previously reported	$1,098,741
Prior period adjustment, adjust accumulated depreciation	258,772
Prior period adjustment, adjust accrued salaries	8,689
Balance, January 1, 1995, as restated	1,366,202
Increase (decrease) in unrestricted net assets	185,343
Balance, December 31, 1995	$1,551,545

The accompanying notes are an integral part of this statement.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1995

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

Description of Activities

Marrero-Harvey Volunteer Fire Company (the Company) was established to provide firefighting 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 about seventeen paid employees and approximately twenty-two active volunteers.

Financial Statement Presentation

In 1995, 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. As permitted by this statement, the Company has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three categories of net assets required. This reclassification had no effect on the change in net assets for any prior years.

Contributions

In 1995, 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. This reclassification had no effect on the change in net assets for any prior years.

SFAS No. 116 provides that the value of donated services is to be recognized in financial statements if the services require 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 board of directors of the Company believes that the Company is exempt from income taxes under Internal Revenue Code section 501(c)(4) as a nonprofit organization. However, the Organization has not applied for or received such exempt status.

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. 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
Firefighting and rescue equipment	3 - 12 years
Buildings and improvements	30 years

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.

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, 1995, the Company maintained cash balances and certificates of deposit in several local banks. The certificates of deposit are classified as cash equivalents as defined in Note 1. The bank balances totaled $702,447, and the book balances totaled $692,736, as follows:

	Book Balance	Bank Balance
Cash and money market accounts	$651,071	$660,782
Certificates of deposit	41,665	41,665
Total cash and equivalents	$692,736	$702,447

The bank balance is insured by $529,734 of federal deposit insurance, leaving $172,713 uninsured.

NOTE 3 - PROPERTY AND EQUIPMENT

Below is a summary of the Company's property and equipment at December 31, 1995:

Land	$ 89,218
Buildings and improvements	640,490
Vehicles	910,200
Firefighting equipment	309,750
Furniture and fixtures	24,873
	1,974,531
Less accumulated depreciation	(1,091,818)
Net property and equipment	$ 882,713

Depreciation expense totaled $27,955 for the year ended December 31, 1995.

NOTE 4 - DONATED SERVICES

Marrero-Harvey volunteer firefighters responded to calls for service approximately 345 times during 1995. 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

NOTE 4 - DONATED SERVICES

duration of 1.25 hours, with the result multiplied by the number of rolls responded to by volunteers during the year. For 1995, the average hourly pay was $5.89 per hour for straight time, and there were approximately 820 responses by volunteer personnel, resulting in a value of approximately $6,000 for volunteer firefighting services, which is reported as revenue and firefighting expense.

This value should be recognized as the absolute minimum value of volunteer services, as it does not include any down-time, maintenance time, or overtime, but includes only the time when volunteers were actually responding to calls for assistance. The actual cost of replacing the Company's volunteers with paid firefighters would be significantly higher.

NOTE 5 - EXPENSES PAID BY OTHERS

The full-time firefighters of the Company receive supplemental pay from the State of Louisiana under the provisions of LSA - 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 Fire Company, they are not included in these financial statements.

NOTE 6 - FIRE PROTECTION CONTRACT

Substantially all of the Fire 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 8th 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 7 - PRIOR PERIOD ADJUSTMENTS

The financial statements of the Organization for the years ended December 31, 1993 and 1994 were not audited. The following adjustments were required to present unrestricted net assets in accordance with generally accepted accounting principles at January 1, 1995:

Property and Equipment and Accumulated Depreciation: During 1993 and 1994 the Company overestimated the amount of depreciation expense to be charged to operations. The current Treasurer has endeavored to closely monitor property and

NOTE 7 - PRIOR PERIOD ADJUSTMENTS

equipment inventories, and has obtained appropriate information regarding depreciation for future years. An adjustment of $258,772 has been made to accumulated depreciation and to the Organization's unrestricted net assets to reverse the excess expense recorded in 1993 and 1994. The effect of this adjustment is an increase of $258,772 in the increase in unrestricted net assets for the years ended December 31, 1993 and 1994. This adjustment had no effect on the increase in unrestricted net assets for 1995.

Other: Other prior period increases to unrestricted net assets totaling $8,689 were required to record accrued salaries properly in prior periods. The effect of this adjustment is an increase of $8,689 in the increase in unrestricted net assets for the year ended December 31, 1994. This adjustment had no effect on the increase in unrestricted net assets for the current year.

NOTE 8 - CONTINGENCIES

While the board of directors believes the Company meets the requirements for tax-exempt status under Section 501(c)(4) of the Internal Revenue Code, the Company has not applied for or received tax-exempt status from the Internal Revenue Service, and has not filed any income tax returns or nonprofit organization returns with any government agency. The Internal Revenue Service may impose penalties for the Company's failure to file the appropriate returns, and the penalties may be material to the financial statements. At present, management has not received any notification that such penalties may be ordered.

SUPPLEMENTARY INFORMATION

MARRERO-HARVEY
VOLUNTEER FIRE COMPANY

SCHEDULE I
STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 1995

	Program Services	Support Services	
EXPENSES	Fire-Fighting	Management and General	Total
Salaries and wages	$295,974	$ -	$295,974
Insurance	118,566	-	118,566
Depreciation	27,955	-	27,955
Payroll taxes	25,737	-	25,737
Maintenance	23,578	-	23,578
Utilities	-	17,201	17,201
Firefighting supplies	13,716	-	13,716
Operating supplies	8,056	-	8,056
Radio expense	7,859	-	7,859
Donated firefighting services	6,000	-	6,000
Medical expenses	-	5,944	5,944
Fuel	4,504	-	4,504
Office expense	-	4,436	4,436
Accounting and legal	-	3,565	3,565
Meals and consumables	-	3,195	3,195
Miscellaneous	-	3,013	3,013
Building repairs	2,288	-	2,288
Equipment repair	2,279	-	2,279
Dues and subscriptions	-	549	549
Total	$536,512	$37,903	$574,415

See Independent Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL SECTION

SHARP & ADORNO

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R. PATRICK SHARP, III
BRIAN E. ADORNO, J.D.

KELLY C. MAURICE
JOSEPH T. GARDEMAL III

2439 Manhattan Boulevard
Suite 205
Harvey, Louisiana 70058
(504) 362-5340
FAX(504) 362-5843

INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Marrero-Harvey Volunteer Fire Company

We have audited the financial statements of Marrero-Harvey Volunteer Fire Company (a nonprofit organization) for the year ended December 31, 1995, and have issued our report thereon dated June 28, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Marrero-Harvey Volunteer Fire Company is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of Marrero-Harvey Volunteer Fire Company for the year ended December 31, 1995, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We noted the following reportable condition:

Cash Disbursements

Condition:
While testing cash disbursements, Company personnel were unable to locate supporting invoices for 2 of 25 disbursements selected for testing. We noted no inappropriate expenditures on items tested.

Criteria:
Internal control procedures should include a requirement for documentation of all expenditures.

Effect:
Without supporting invoices, disbursements may be made for unauthorized items or for amounts in excess of requirements. This condition can result in payment at inappropriate prices or even for materials or services not received.

Cause:
Written approval of all invoices on the face of the invoice by a responsible official prior to payment is not required by the internal control system.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

We noted other matters involving the internal control structure and its operation that we have reported to the management of Marrero-Harvey Volunteer Fire Company in a separate letter dated June 28, 1996.

This report is intended for the information of the Board of Directors, management, and the Legislative Auditor of the State of Louisiana. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Sharp & Adorno
A Professional Accounting Corporation

Harvey, Louisiana

June 28, 1996

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R. PATRICK SHARP, III
BRIAN E. ADORNO, J.D.

KELLY C. MAURICE
JOSEPH T. GARDEMAL III

2439 Manhattan Boulevard
Suite 205
Harvey, Louisiana 70058
(504) 362-5340
FAX(504) 362-5843

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Marrero-Harvey Volunteer Fire Company

We have audited the financial statements of Marrero-Harvey Volunteer Fire Company (a nonprofit organization) for the year ended December 31, 1995, and have issued our report thereon dated June 28, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Marrero-Harvey Volunteer Fire Company is the responsibility of the Company's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Company's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following instance of noncompliance that may be material to the financial statements, but for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the Company's financial statements.

The Company has not applied for nonprofit status with the Internal Revenue Service, and has not filed income tax returns or nonprofit organization returns with any state or federal agency. While the board of directors believes that the Company meets the statutory requirements for recognition as a nonprofit organization, certain penalties may apply due to the Company's failure to file the appropriate documents with the Internal Revenue Service.

We considered this instance of noncompliance in forming our opinion on whether the Company's 1995 financial statements were presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated June 28, 1996, on those financial statements.

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

Sharp & Adorno
A Professional Accounting Corporation

Harvey, Louisiana

June 28, 1996

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JOSEPH T. GARDEMAL III

2439 Manhattan Boulevard
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Harvey, Louisiana 70058
(504) 362-5340
FAX(504) 362-5843

June 28, 1996

To the Board of Directors
Marrero-Harvey Volunteer Fire Company
Marrero, Louisiana

Gentlemen:

In planning and performing our audit of the financial statements of Marrero-Harvey Volunteer Fire Company for the year ended December 31, 1995, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated June 28, 1996, on the financial statements of Marrero-Harvey Volunteer Fire Company. We will review the status of these comments during our next audit engagement. Our comments and recommendations are intended to improve the internal control structure or result in other operating efficiencies.

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:

Cash Balances

Observation:

The Company's bank balance in two local banks exceeds federal deposit insurance limits by a significant amount at December 31, and the bank has not pledged securities as additional collateral.

Recommendation:

To minimize the potential for loss in the event of bank failure, we recommend that bank balances be limited to less than $100,000 in any one financial institution.

Property, Plant, and Equipment

Observation:

We noted that most of the Company's fixed asset inventories are maintained on an estimated fair market value basis rather than a cost basis. While we realize that most, if not all, of these assets were purchased prior to the institution of an audit requirement for fire companies, and that cost records do not exist for most of these items, generally accepted accounting principles require that property, plant, and equipment be recorded at cost if cost information is available.

Recommendation

We recommend that the Company maintain its current asset inventories for assets for which no historical cost information exists, but that all future acquisitions be recorded at historical cost in accordance with generally accepted accounting principles. We further recommend that the Company set a limit on items to be capitalized ($500 or $1,000), and that it expense any items purchased under that dollar limit. This will facilitate orderly record-keeping, and will eliminate the need to account for small dollar value items in property, plant, and equipment.

The 1995 State Legislature made changes to the law relating to audit frequency for agencies receiving public funds. In sum, the new law provides that local agencies that receive between $350,000 and $3,500,000 will be audited once every two years, with the audit covering the transactions of both years. To simplify year-end closing and the application of audit procedures, we recommend that the Company undergo an annual audit each year.

We thank you for the cooperation given us during the course of our audit, and wish to express our gratitude to Craig Bellanger for the outstanding assistance he provided to us. We are available to discuss this letter with you at any time, and will be happy to assist you in implementing our recommendations. We look forward to working with you again next year.

Sincerely,

Joseph T. Gardemal III
Certified Public Accountant

JTG/msw