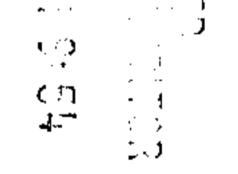


FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION WITH INDEPENDENT AUDITOR'S REPORT THEREON

YEAR ENDED DECEMBER 31, 1995



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Under provisions of state low, this report to a possible of the entry of copy of the second possible subjects had to the appropriate possible officials. The metric is possible for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8-14-96

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. AIXORNO, 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-Ragusa Volunteer Fire Company No. 3

We have audited the accompanying statement of financial position of Marrero-Ragusa Volunteer Fire Company No. 3 (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-Ragusa Volunteer Fire Company No. 3 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 A, 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 May 8, 1996, on our consideration of Marrero-Ragusa Volunteer Fire Company No. 3's internal control structure and a report dated May 8, 1996, on its compliance with laws and regulations.

Sharp & Adorno

A Professional Accounting Corporation

May 8, 1996

STATEMENT OF FINANCIAL POSITION

December 31, 1995

ASSETS

Cash	\$157,075
Certificates of deposit	107,214
Property and equipment, net of accumulated depreciation	400,095
TOTAL ASSETS	<u>\$664,384</u>

LIABILITIES

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Accounts payable	\$10,157
Notes payable, current portion	14,279
Accrued salaries and related taxes	12,132
Compensated absences	7,521
TOTAL LIABILITIES	44,089
NET ASSETS	
Unrestricted	620,295
TOTAL NET ASSETS	620,295
TOTAL LIABILITIES AND NET ASSETS	\$664,384

3

The accompanying notes are an integral part of this statement.

STATEMENT OF ACTIVITY

For the Year Ended December 31, 1995

UNRESTRICTED NET ASSETS

Support Firefighting contract	\$738,308
Donated firefighting services	20,005
Interest	3,852
Social funds	28,358
Total Support	790,523

Expenses

•

Program services - Firefighting Supporting services - Management and general Supporting services - Social

Total Expenses

INCREASE IN UNRESTRICTED NET ASSETS

579,852
46,083
18,921
644,856
\$145,667

The accompanying notes are an integral part of this statement.

STATEMENT OF CHANGES IN NET ASSETS

December 31, 1995

UNRESTRICTED NET ASSETS

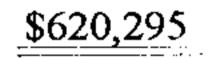
Balance, January 1, 1995

Increase (decrease) in unrestricted net assets

Balance, December 31, 1995

\$474,628

145,667



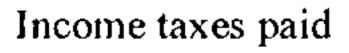
The accompanying notes are an integral part of this statement.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1995

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$145,667
Adjustments to reconcile change in net assets to	
net cash provided by operating activities:	
Depreciation	43,684
Decrease (increase) in:	
Other receivables	1,160
Increase (decrease) in:	
Accounts payable	(6,258)
Accrued salaries	5,767
Compensated absences	7,521

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	197,541
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of short-term investments	(89,148)
Acquisition of equipment	(65,286)
NET CASH USED BY INVESTING ACTIVITIES	(154,434)
CASH FLOWS FROM FINANCING ACTIVITIES	
Proceeds of new borrowings	18,000
Debt reduction	
Short-term	(8,348)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	9,652
NET INCREASE (DECREASE) IN CASH	52,759
CASH AT BEGINNING OF YEAR	104,316
CASH AT END OF YEAR	\$157,075
SUPPLEMENTAL DISCLOSURES	
Interest paid	\$1,316



The accompanying notes are an integral part of this statement.



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-Ragusa Volunteer Fire Company No. 3 (the Company) was established in 1954 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 fifteen paid employees and approximately thirty-five 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.

<u>Contributions</u>

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 Company is exempt from income taxes under Internal Revenue Code section 501(c)(4) as a nonprofit organization and, accordingly, these 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. 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	
Furniture and fixtures	
Firefighting and rescue equipment	
Buildings and improvements	

3 - 5 years 5 - 10 years 3 - 12 years 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 two local banks. The certificates of deposit are classified as short-term investments because original maturities exceed three months. The bank balances totaled \$264,535, and the book balances totaled \$264,289, as follows:

	Book <u>Balance</u>	Bank <u>Balance</u>
Cash and money market accounts	\$157,075	\$157,321
Certificates of deposit	<u>107,214</u>	107,214
Total cash and short-term investments	<u>\$264,289</u>	<u>\$264,535</u>

The bank balance is insured by \$189,716 of federal deposit insurance, leaving \$74,819 uninsured.

NOTE 3 - PROPERTY AND EQUIPMENT

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

Land	\$127,000
Buildings	294,690
Building improvements	9,432
Vehicles	252,821
Firefighting equipment	48,324
Communication equipment	70,183
Furniture and fixtures	48,660
	851,110
Less accumulated depreciation	<u>(451,015</u>)
Net property and equipment	<u>\$400,095</u>

Depreciation totaled \$43,684 for the year ended December 31, 1995.

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NOTE 4 - NOTES PAYABLE

Notes payable at December 31, 1995, consist of the following:

NOTE 4 - NOTES PAYABLE (continued)

Hibernia Bank Demand note dated June 21, 1995; original balance \$18,000; bears interest at 8.35%; 27 payments of \$734.68, principal and interest, commencing July 21,	6 1 4 6 7 0
1995; secured by certificate of deposit	\$ 14,279
Less: Amount currently payable	<u>(14,279</u>)
Long-term portion	<u>\$ -0-</u>

Due to the demand clause in the above note payable, the maturity as of December 31, 1995, is as follows:

Year Ending December 31,	Note Payable
1996	\$ 14.279

NOTE 5 - DONATED SERVICES

Marrero-Ragusa volunteer firefighters responded to calls for service on approximately three hundred occasions 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 duration of 1.5 hours, with the result multiplied by the number of rolls responded to by volunteers during the year. For 1995, the average hourly pay was \$6.77 per hour for straight time, and there were approximately 1,970 responses by volunteer personnel, resulting in a value of approximately \$20,005 for volunteer firefighting services, which is reported as revenue and firefighting expense.

NOTE 6 - ACCRUED ABSENCES

The Company's paid operators accrue vacation at varying rates based on their term of service. At December 31, 1995, fifteen employees had accumulated a total of \$7,521 of unused vacation.

NOTE 7 - 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

NOTE 7 - EXPENSES PAID BY OTHERS (continued)

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 8 - SOCIAL FUNDS

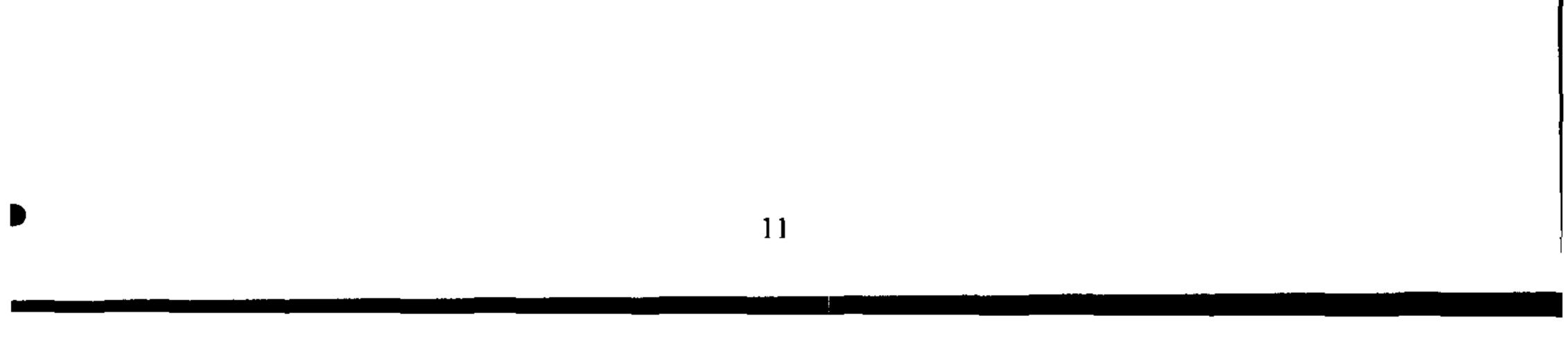
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The Company maintains separate funds derived from fund-raising activities, principally an annual haunted house. During the year ended December 31, 1995, the Company collected \$28,358 from social activities, and recognized expenses totaling \$18,921.

NOTE 9 - 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.



SUPPLEMENTARY INFORMATION

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SCHEDULE I STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 1995

EXPENSES	Program Services Fire- Fighting	Support Services			
		Management and General		Social	Total
Salaries and wages	\$295,920	\$15,600	\$	-	\$311,520
	108,528	-		-	108,528
Insurance Depreciation	43,684	-		-	43,684
Repairs - buildings and vehicles	37,254	-		-	37,254
-	24,368	1,190		-	25,558
Payroll taxes Demoted firefighting services	20,005	-		-	20,005
Donated firefighting services		18,947		-	18,947
Telephone and utilities	_	-		18,921	18,921
Social expenses	14,856	-		-	14,856
Fire station supplies	9,607	-		-	9,607
Equipment	7,557	-		-	7,557
Radio expense	7,521	-		-	7,521
Compensated absences	5,475	-		-	5,475
Contract labor	-	3,741		-	3,741
Accounting and legal	2,783	- ·		-	2,783
Fuel	2,705	2,706		-	2,706
Office expense	1,878	-,		-	1,878
Uniforms	1,070	1,339		-	1,339
Dues and subscriptions		1,316		_	1,316
Miscellaneous	-	687		_	687
Interest expense	416	-		-	416
Training	410	340		-	340
Advertising	-	217		_	217
Bank charges					
Total	\$579,852	\$46,083	. 	\$18,9 <u>21</u>	\$644,856

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See Independent Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL SECTION

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SHARP & ADORNO

CERTIFIED PUBLIC ACCOUNTANTS A PROFESSIONAL ACCOUNTING CORFORATION

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

KELLY C. MAURICE JOSEPH T. GARDEMAL III

8

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-Ragusa Volunteer Fire Company No. 3

We have audited the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) for the year ended December 31, 1995, and have issued our report thereon dated May 8, 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-Ragusa Volunteer Fire Company No. 3 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-Ragusa

Volunteer Fire Company No. 3 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 conditions:

Cash Disbursements

Condition:

While testing cash disbursements, we noted that 23 of 25 supporting invoices did not indicate approval for payment by a responsible officer. We noted no inappropriate expenditures on items tested.

Criteria:

Internal control procedures should include documentation of the approval process for all expenditures.

Effect:

Invoices may be submitted and paid without the knowledge or approval of responsible officials. This condition can result in payment at inappropriate prices or even for materials or services not received.

Cause:

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

Payroll

Condition:

State and federal laws require reporting of salaries paid to employees on Forms L-2 and W-2, respectively, and require withholding of certain payroll taxes. In our testing of cash disbursements, we noted that employees received \$5,475 in additional compensation from nonpublic funds, but the compensation was not reported to the appropriate revenue agencies, and no employment taxes were withheld or paid.



Internal control procedures should be designed to identify and report all compensation paid to employees.

Effect:

The Company may ultimately be held liable for employer and employee portions of taxes not withheld and penalties thereon.

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-Ragusa Volunteer Fire Company No. 3 in a separate letter dated May 8, 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

May 8, 1996



SHARP & ADORNO CERTIFIED PUBLIC ACCOUNTANTS A PROFESSIONAL ACCOUNTING CORPORATION

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-Ragusa Volunteer Fire Company No. 3

We have audited the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) for the year ended December 31, 1995, and have issued our report thereon dated May 8, 1996.

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

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KELLY C. MAURICE JOSEPHT. GARDEMAL III

> 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-Ragusa Volunteer Fire Company No. 3 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.

> The results of our tests disclosed immaterial instances of noncompliance with the above requirements, which we have communicated to management of Marrero-Ragusa Volunteer Fire Company No. 3 in a separate letter dated May 8, 1996.

> 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 May 8, 1996

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

May 8, 1996

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

Gentlemen:

In planning and performing our audit of the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 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 May 8, 1996, on the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3. 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 Hibernia Bank exceeds federal deposit insurance limits by \$74,000 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.

The Board of Directors Marrero-Ragusa Volunteer Fire Company No. 3 May 8, 1996 Page 2

Bank Reconciliations

Observation:

We noted that several bank accounts had not been reconciled to the bank statements at December 31, 1995, and in one instance, a deposit totaling \$39,500 was not recorded in the financial statements at year end. We noted that petty cash transactions totaling several thousand dollars had not been posted to the appropriate expense accounts during the prior year, but petty cash transactions for the year under audit were properly accounted for.

Recommendation

We recommend that the Company provide information on all cash accounts necessary to allow its bookkeeper to accurately complete bank reconciliations for all accounts. Without such information, the Company will not have accurate data on which to base financial decisions.

Observation:

We noted that the Company's operating account reconciliation contained outstanding checks over two years old.

Recommendation:

We recommend that the Company review all reconciling items on its bank reconciliations, and obtain an explanation of any unusual items. In connection with this review, old or voided outstanding checks should be canceled and new checks issued.

Accounts Payable and Other Accruals

Observation:

The Company's books are recorded on the cash basis, and are converted to the accrual basis of accounting at year end by Sharp & Adorno.

Recommendation:

New audit requirements passed by the State Legislature will require the Company to have an audit every year. To facilitate the application of audit procedures, we suggest that the Company record transactions and prepare its quarterly financial statements on the accrual basis.

Property and Equipment Purchases

Observation:

Substantial flooring improvements were made at Station 86 during the year, and the Company purchased an Amkus spreader. These additions were expensed as operating expenses during 1995.

The Board of Directors Marrero-Ragusa Volunteer Fire Company No. 3 May 8, 1996 Page 3

Recommendation:

Significant capital improvements and additions such as these, which have a useful life in excess of one year, must be capitalized and depreciated rather than expensed. We suggest the Company adopt a policy of capitalizing all equipment purchases in excess of \$1,000, unless such equipment has a limited useful life. Equipment such as bunker gear and oxygen bottles should continue to be expensed, as these items may have a limited useful life, and are not individually significant.

Annual Budgets

Observation:

As discussed in our prior audit, we noted that the Company prepares a budget of its proposed revenue and expenses each year, but that the budget is not updated and amended as the year passes.

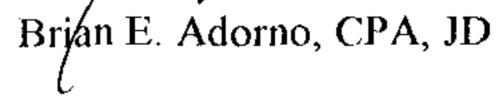
Recommendation:

The computer system used by the Company's bookkeeper may allow him to input the annual budget of the Company and provide reports comparing budgeted amounts to actual results. Use of these reports will allow the Company to utilize the budget as a more effective tool in monitoring operations. Closely monitoring the budget will become more important in the near future, as the Company considers the purchase of new trucks and other major items of 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 Annette Lee and Bill Barbier for the outstanding assistance they provide to us every year. We are available to discuss this letter with you at any time, and will be happy to assist you in implementing our recommendations.

Sincerely,



BEA/JTG/msw