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MARRERO-RAGUSA VOLUNTEER FIRE  
COMPANY NO. 3

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT THEREON

YEAR ENDED DECEMBER 31, 1967

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, verify and enter appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

AUG 12 1968

Release Date \_\_\_\_\_

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# BRIAN E. ADORNO

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Fountain Square - Suite 104  
New Orleans, Louisiana 70113

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## INDEPENDENT AUDITOR'S REPORT

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

### BUSINESS

I have audited the accompanying statement of financial position of Marrero-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) as of December 31, 1997, 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.

### TOOK

### FINDING

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.

### EXISTS

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, 1997, 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 prepared 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 *Governance Auditing Standards*, I have also issued a report dated June 25, 1998, 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 25, 1998



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Louisiana Society of  
Certified Public  
Accountants

MARRERO RACUSA  
VOLUNTEER FIRE COMPANY NO. 3  
STATEMENT OF FINANCIAL POSITION  
December 31, 1997

ASSETS	
Cash	\$113,568
Certificates of deposit	240,081
Property and equipment, net of accumulated depreciation	508,844
<b>TOTAL ASSETS</b>	<b>\$862,493</b>
LIABILITIES	
Accounts payable	\$12,754
Accrued salaries and related taxes	18,095
Accrued holiday and leave wages and related taxes	14,698
Compensated absences	9,641
<b>TOTAL LIABILITIES</b>	<b>55,188</b>
NET ASSETS	
Unrestricted	\$11,444
<b>TOTAL NET ASSETS</b>	<b>\$11,444</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$862,493</b>

The accompanying notes are an integral part of this statement.

MARRIHO RACUSA  
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF ACTIVITY

For the Year Ended December 31, 1993

UNRESTRICTED NET ASSETS

<b>Support</b>	
Firefighting contract	\$854,316
Donated firefighting services	8,305
Interest	12,397
Social funds	36,555
<b>Total Unrestricted Support</b>	<b>906,573</b>
<b>Expenses</b>	
Program services - Firefighting	721,683
Supporting services - Management and general	62,176
Supporting services - Social	29,369
<b>Total Expenses</b>	<b>813,228</b>
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>93,345</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>718,699</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>811,444</b>

The accompanying notes are an integral part of this statement.

MARRIOTT RAGUSA  
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1997

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Increase (decrease) in net assets	\$92,745
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	61,486
Decrease (increase) in:	
Other receivables	840
Increase (decrease) in:	
Accounts payable	(1,500)
Accrued salaries	2,311
Other Accrued wages	12,843
Payroll taxes payable	1,110
Compensated absences	323
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>178,720</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of short-term investments	(21,726)
Acquisition of equipment	(123,282)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(145,008)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Debt reduction:	
Short-term	(6,357)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(6,357)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(6,445)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>126,213</b>
<b>CASH AT END OF YEAR</b>	<b>\$119,768</b>
<b>SUPPLEMENTAL DISCLOSURES</b>	
Interest paid	\$126

The accompanying notes are an integral part of this statement.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1997

**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 Five 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 forty-eight 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.

MARRERO-BAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1997

**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 \$100 or more with an estimated useful life as calculated below. Depreciation is provided for in amounts sufficient to retire 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	20 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 these estimates.



MARLBORO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1997

**NOTE 2 - CASH AND SHORT-TERM INVESTMENTS**

At December 31, 1997, 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 \$358,406, and the book balances totaled \$357,750, as follows:

	Book Balance	Bank Balance
Cash and money market accounts	\$117,569	\$119,325
Certificates of deposit	<u>240,181</u>	<u>240,181</u>
Total cash and short-term investments	<u>\$357,750</u>	<u>\$359,406</u>

The bank balance is insured by \$359,406 of federal deposit insurance. Private fundraising monies are segregated from other funds and the bank and book account balances maintained by the Company for these funds are both \$7,469 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, 1997:

Land	\$127,000
Buildings	363,388
Buildings improvements	21,358
Vehicles	287,486
Firefighting equipment	67,034
Communication equipment	88,634
Furniture and fixtures	<u>109,822</u>
	1,064,922
Less accumulated depreciation	(558,036)
Net property and equipment	<u>\$506,886</u>

Depreciation totaled \$63,488 for the year ended December 31, 1997.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1997

**NOTE 4 - DONATED SERVICES**

Marrero-Ragusa volunteer firefighters responded to calls for service on approximately four hundred eight-two occasions during 1997. 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 calls responded to by volunteers during the year. For 1997, the average hourly pay was \$6.90 per hour for straight time, and there were approximately 1,349 responses by volunteer personnel, resulting in a value of approximately \$9,305 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. As December 31, 1997, eighteen employees had accumulated a total of \$9,643 of unused vacation.

**NOTE 6 - ACCRUED HOLIDAY & LEAVE WAGES**

As a result of litigation involving another non-profit fire company regarding interpretation of various state statutes governing the calculation of wages and benefits afforded to firefighters employed by non-profit corporations, the Company has accrued a liability of \$14,688 which was subsequently paid to its employees in satisfaction of any such wage and benefit claims for its own employees.

**NOTE 7 - EMPLOYEE BENEFIT PLANS**

Beginning January 1, 1997, the Company established a 401(K) retirement plan for all eligible employees which allows the employees to defer part of their compensation subject to limitations by federal tax law. The Company matches 100% of employee deferrals up to a ceiling of 2% of their compensation. The Company may also make additional profit sharing contributions at its discretion. During 1997, the Company contributed \$11,620 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.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1997

**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, 1997, the Company collected \$30,555 from social activities, and recognized expenses totaling \$29,368.

**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.

## **SUPPLEMENTARY INFORMATION**

**MARREO RAGUSA  
VOLUNTEER FIRE COMPANY NO. 3**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the Year Ended December 31, 1997

EXPENSES	Support Services			Total
	Fire- Fighting	Management and General	Social	
Salaries and Wages	\$95,838	\$17,483	-	\$113,321
Insurance	108,820	-	-	108,820
Depreciation	61,486	-	-	61,486
Repairs - buildings and vehicles	26,887	-	-	26,887
Payroll taxes	21,803	1,258	-	23,061
Donated firefighting services	9,308	-	-	9,308
Donations	-	140	-	140
Telephone and utilities	-	26,133	-	26,133
Social expenses	-	-	\$29,389	29,389
Fire station supplies	27,828	-	-	27,828
Entertainment	-	27	-	27
Equipment	31,532	-	-	31,532
Equipment rental	526	-	-	526
Radio expense	5,138	-	-	5,138
Compensated absences	529	-	-	529
Accounting and legal	-	8,430	-	8,430
Fuel	5,274	-	-	5,274
Office expense	-	3,296	-	3,296
Uniforms	7,286	-	-	7,286
Dues and subscriptions	-	1,434	-	1,434
Miscellaneous	-	2,133	-	2,133
Interest expense	-	126	-	126
Retirement contributions	9,826	1,794	-	11,620
Training	281	-	-	281
Advertising	-	210	-	210
Bank charges	-	213	-	213
<b>Total</b>	<b>\$721,683</b>	<b>\$62,776</b>	<b>\$29,389</b>	<b>\$813,828</b>

See Independent Auditor's Report on Supplemental Information.

## COMPLIANCE AND INTERNAL CONTROL

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

Business

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Taxes

c

Finance

c

ESVRS

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, 1997, and have issued our report thereon dated June 25, 1998. 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, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. I noted no instances of non-compliance.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Marrero-Ragusa Volunteer Fire Company No 3'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

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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 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 employees in the normal course of performing their assigned functions. I found no matters involving the internal control over financial reporting and its operation 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. Adams, CPA*  
A Professional Corporation

New Orleans, Louisiana  
June 25, 1998



# BRIAN E. ADORNO

4430 Grand deGrade Street  
Fourteen Square - Suite 211  
New Orleans, Louisiana 70111

Phone (504) 410-1177  
Fax (504) 410-0100

June 25, 1998

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

Business

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Taxes

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Finance

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Estates

In planning and performing my audit of the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 for the year ended December 31, 1997, 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 noted certain matters involving internal control and operational matters that are presented for your consideration. (I previously reported on the Organization's internal control structure in my report dated June 25, 1998.) This letter does not affect my report dated June 25, 1998, on the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3.

I will review the status of these comments during my next audit engagement. My comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve internal control or result in other operating efficiencies. 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:

### Annual Budget

#### Observation

The Company failed to adopt a formal budget of its proposed revenues and expenditures for the year.

#### Recommendation

I recommend that the company adopt a formal budget of proposed revenues and expenditures for each year prior to the Parish of Jefferson's adoption of its budget for the same year. Under its contract with the Parish of Jefferson for fire fighting services, the Company is obligated to submit budget funding requests to the Parish when a significant increase in expenditures are anticipated

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for providing fire fighting services. The use of an internal budget is the appropriate manner of demonstrating the increased costs of providing these services.

#### Wage and Benefit Calculations

##### Observation

During 1998, the Company paid additional wages to its firefighting employees in settlement of potential claims the firefighters may have against the Company as a result of the court holding in *Terrytown Fire District Fire Dept., Inc. v. Wilson* (La. App. 3 Cir. 1998).

##### Recommendation

As a result of the holding in *Terrytown Fire District Fire Dept., Inc. v. Wilson* (La. App. 3 Cir. 1998) the Company should include the state supplemental pay to its firefighting employees for all wage and benefit calculations including calculations for overtime wages, accrued leave, pension benefit calculations and federal and state tax withholdings. All such changes should be implemented immediately.

#### Delivery of Books and Records

##### Observation

The Company did not provide books and records to the auditor until June 1998.

##### Recommendation

I recommend that the Company provide books and records to the auditor in April of the following year of audit in order to have ample time to complete the audit by the due date to the Legislative Auditor's office.

Prior year findings of instances of noncompliance have been resolved in the following manner:

#### Cost Management

It was noted during the prior year that the Company's bank balance exceeded federal deposit insurance limits and had not pledged additional collateral to secure these funds. Management has made substantial efforts to maintain bank balances below federal deposit insurance limits thereby eliminating the need to pledge securities.

Board of Directors

June 25, 1998

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#### **Annual Budget**

Prior year findings indicated that the Company failed to adopt a formal budget of its proposed revenues and expenditures for the year. Management did not prepare a 1997 budget but has adopted and approved a 1998 budget.

I wish to thank Ms. Annette Lee, Mr. Mark Martin, and Mr. Bill Barber 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. Adams, CPA*  
A Professional Corporation

## MARRERO - RAGUSA VOLUNTEER FIRE CO. No. 3



Help Prevent Fires.

STATION 86 - 1400 HIGHWAY ROAD  
STATION 87 - 884 ST. ANDRÉ ST.  
STATION 88 - 675 BELLE TERRE DR.  
MARRERO, LA 70053

Member  
LOUISIANA STATE FIREMEN'S  
ASSOCIATION

June 25, 1998

Brian E. Adams, CPA  
A Professional Corporation  
4480 General de Gaulle Drive  
Suite 222  
New Orleans, LA 70131

Dear Mr. Adams,

We have read your letter dated June 25, 1998 addressed to our Board of Directors regarding your 1997 audit findings involving your recommendations concerning matters of either legal compliance or internal controls. Our responses are as follows:

### Annual Budget

We have adopted and approved a 1998 operating budget.

### Wages and Benefit Calculations

We intend to immediately comply in all respects to your recommendations that the Louisiana supplementary wage payments made to our employed firefighters be considered as wages for all wage and benefit calculations including overtime, accrued leave, pension benefits, and federal and state tax withholding.

### Delivery of Books and Records

We will make a concentrated effort to deliver our completed books and records to our auditors by the end of April of each year.

Sincerely,  
MARRERO-RAGUSA VOLUNTEER FIRE COMPANY #3

A handwritten signature in black ink, appearing to read "Mark Martin". The signature is fluid and cursive, with a long, sweeping underline that extends to the right.

Mark Martin  
Vice President