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**MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1**

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

For the Year Ended December 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other 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.

Release Date JUN 10 1998

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REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

A PROFESSIONAL CORPORATION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
**Marrero-Harvey Volunteer Fire
Company No. 1**
Marrero, Louisiana

We have audited the accompanying statement of financial position of **Marrero-Harvey Volunteer Fire Company No. 1** (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. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that 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 No. 1** as of December 31, 1997, and the changes in its net assets and its cash flows for the year then ended in accordance with generally accepted accounting principles.

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 April 30, 1998, on our consideration of **Marrero-Harvey Volunteer Fire Company No. 1's** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Reboue & Company

April 30, 1998

**MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 1997**

ASSETS

Current assets

Cash and cash equivalents \$ 992,682

Total current assets 992,682

Property and equipment, (net of
accumulated depreciation of \$1,398,725) 963,085

TOTAL ASSETS **\$ 1,955,767**

LIABILITIES

Current liabilities

Accounts payable \$ 5,944

Accrued salaries and related taxes 8,421

Accrued sick and vacation pay 18,570

Total current liabilities 32,935

NET ASSETS

Unrestricted 1,922,832

Total Net Assets 1,922,832

TOTAL LIABILITIES AND NET ASSETS **\$ 1,955,767**

The accompanying notes are an integral part of this statement.

**MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1
STATEMENT OF ACTIVITY
For the Year Ended December 31, 1997**

UNRESTRICTED NET ASSETS

Support

Firefighting contract	\$ 855,188
Donated firefighting services	29,640
Interest	25,012
Other income	<u>11,893</u>

Total Support	<u>921,733</u>
---------------	----------------

Expenses

Program services - Firefighting	713,422
Supporting services - Management and general	<u>51,630</u>

Total Expenses	<u>765,052</u>
----------------	----------------

INCREASE IN UNRESTRICTED NET ASSETS	156,681
--	----------------

Unrestricted net assets at December 31, 1996	1,705,319
Prior period adjustment	<u>60,832</u>

Unrestricted net assets at December 31, 1996, as restated	<u>1,766,151</u>
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Unrestricted net assets at December 31, 1997	<u><u>\$ 1,922,832</u></u>
--	----------------------------

The accompanying notes are an integral part of this statement.

**MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 1997**

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 156,681
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	99,640
Disposal of assets	37,202
Increase (decrease) in:	
Accounts payable	(48,346)
Accrued sick and vacation pay	<u>18,570</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>263,747</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of equipment	<u>(209,450)</u>
 NET CASH USED BY INVESTING ACTIVITIES	 <u>(209,450)</u>
 NET INCREASE IN CASH	 54,297
 CASH AT BEGINNING OF YEAR	 <u>938,385</u>
 CASH AT END OF YEAR	 <u>\$ 992,682</u>
 SUPPLEMENTAL DISCLOSURES	
 Interest paid	 <u>\$ -0-</u>
 Income taxes paid	 <u>\$ -0-</u>

The accompanying notes are an integral part of this statement.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
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-Harvey Volunteer Fire Company No. 1 (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 approximately seventeen paid employees and 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.

Income Taxes

The Company is exempt from income taxes under Internal Revenue Code section 501(c)(4) as a nonprofit organization and thus these financial statements contain no provision for income taxes.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 1997

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

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents are 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, or estimated historical cost if acquisition cost is not available. 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.

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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH AND SHORT-TERM INVESTMENTS

At December 31, 1997, the Company maintained cash balances, money market accounts, certificates of deposit, and short-term investments in several local banks. The certificates of deposit and short-term investments are classified as cash equivalents as defined in Note 1. The bank balances totaled \$996,608, and the book balances totaled \$992,682, as follows:

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 1997

NOTE 2 - CASH AND SHORT-TERM INVESTMENTS (continued)

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash and money market accounts	\$ 946,966	\$ 950,892
Certificates of deposit	<u>45,716</u>	<u>45,716</u>
Total cash and cash equivalents	<u>\$ 992,682</u>	<u>\$ 996,608</u>

The bank balance is insured by \$510,847 of federal deposit insurance, leaving \$485,761 uninsured.

NOTE 3 - PROPERTY AND EQUIPMENT

Below is a summary of activity in the Company's property and equipment accounts during the year ended December 31, 1997:

	<u>Balance 1/1/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/97</u>
Land	\$ 89,218	\$ -	\$ -	\$ 89,218
Buildings	649,812	-	-	649,812
Vehicles	1,010,200	199,000	-	1,209,200
Firefighting equipment	417,520	10,450	39,363	388,607
Furniture and fixtures	26,936	-	1,963	24,973
	<u>\$2,193,686</u>	<u>\$ 209,450</u>	<u>\$ 41,326</u>	<u>\$2,361,810</u>
Accumulated depreciation	<u>1,303,209</u>	<u>99,640</u>	<u>4,124</u>	<u>1,398,725</u>
Net property and equipment	<u>\$ 890,477</u>	<u>\$ 109,810</u>	<u>\$ 37,202</u>	<u>\$ 963,085</u>

Depreciation expense totaled \$99,640 for the year ended December 31, 1997.

The net amount \$37,202 shown above constitutes assets that were consumed in firefighting operations during the year. For purposes of the statement of cash flows, use of these items is

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 1997

NOTE 3 - PROPERTY AND EQUIPMENT (continued)

included in operating activities, as the disposal of the assets relates more directly to operating activities than capital activities.

NOTE 4 - DONATED SERVICES

Marrero-Harvey volunteer firefighters responded to calls for service approximately 336 times during 1997. The value of these volunteer services is computed using the minimum pay for the Company's paid personnel during the year, multiplied by an average response duration of 1.50 hours, with the result multiplied by the number of rolls responded to by volunteers during the year. For 1997, the minimum hourly pay was \$6.00 per hour for straight time, and there were approximately 336 responses by varying numbers of volunteer personnel, resulting in an approximate value of \$29,640 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.

All members of the Board of Directors serve without compensation.

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 supplemental pay rate for 1997 was \$300 per month per full-time firefighter. 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. Total public support received under this contract totaled \$855,188 during the year ended December 31, 1997.

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NO. 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 1997

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Tax Returns

During 1996, the Company applied for and received tax-exempt status under Section 501(c)(4) of the Internal Revenue Code, and has filed the required Form 990 for its years ended December 31, 1995 and 1996. However, the Company has not filed any income tax returns or nonprofit organization returns with any government agency for years prior to 1995. 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 assessed.

Fire Truck

On August 11, 1997, the Company committed to the purchase of a new fire truck at a cost ranging from \$568,000 to \$599,000, based on alternative payment schedules. The truck will not be delivered until October 1998, and the Company has the right to reject delivery if its specifications are not met.

NOTE 8 – PRIOR PERIOD ADJUSTMENT

In 1994, the Company recorded property and equipment on its statement of financial position for the first time. As historical cost records did not exist for numerous assets, these assets were recorded at estimated historical cost. During 1997, the Company determined that one fire truck purchased prior to 1994 was recorded on the financial statements at \$100,000 less than its actual historical cost. Accordingly, an adjustment has been made at January 1, 1997, to increase property and equipment by \$100,000, increase accumulated depreciation by \$39,168, and increase unrestricted net assets by \$60,832. Had this entry been recorded in the prior years, the increase in net assets would have been reduced by approximately \$20,277 for each of the years ended December 31, 1994, 1995, and 1996. The entry has no effect on the increase in net assets for the current year.

**SUPPLEMENTARY
INFORMATION**

**MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1
SCHEDULE I
SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 1997**

<u>EXPENSES</u>	<u>Program Services</u> Fire- <u>Fighting</u>	<u>Support Services</u> Management <u>and General</u>	<u>Total</u>
Salaries and wages	\$ 369,407	\$ 3,000	\$ 372,407
Depreciation	99,640	-	99,640
Insurance	74,984	-	74,984
Payroll taxes	30,237	-	30,237
Donated firefighting services	29,640	-	29,640
Maintenance	20,922	-	20,922
Utilities	-	18,568	18,568
Firefighting supplies	17,787	-	17,787
Operating supplies	37,514	-	37,514
Radio expense	19,122	-	19,122
Miscellaneous	-	8,171	8,171
Accounting and legal	-	5,326	5,326
Fuel	4,789	-	4,789
Equipment repair	5,858	-	5,858
Meals and consumables	-	5,114	5,114
Medical expenses	-	1,638	1,638
Office expense	-	9,469	9,469
Dues and subscriptions	-	344	344
Licenses	118	-	118
Building repairs	<u>3,404</u>	<u>-</u>	<u>3,404</u>
 Total	 <u>\$ 713,422</u>	 <u>\$ 51,630</u>	 <u>\$ 765,052</u>

See Independent Auditor's Report.

**REPORTS REQUIRED BY
*GOVERNMENT AUDITING STANDARDS***

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

To the Board of Directors
**Marrero-Harvey Volunteer Fire
Company No. 1**
Marrero, Louisiana

We have audited the financial statements of **Marrero-Harvey Volunteer Fire Company No. 1** (a nonprofit organization) for the year ended December 31, 1997, and have issued our report thereon dated April 30, 1998. We conducted our 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 the Company's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is reported in the accompanying schedule of findings and questioned costs as item 97-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Company's internal control over financial reporting 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 over financial reporting. Our 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 misstatements 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Reboue & Company

April 30, 1998

**MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 1997**

The results of our tests disclosed the following instance of noncompliance that is required to be reported herein under *Government Auditing Standards* 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 December 31, 1997, financial statements.

COMPLIANCE FINDING

97-1. Public Bid Law (LSA-R.S. 38:2212)

Condition

During 1997, the Company purchased one new pumper truck for \$199,000, and contracted for the construction of a new ladder truck at a cost ranging from \$568,000 to \$599,000. The Company mailed requests for proposals to numerous suppliers of firefighting vehicles, and evaluated the responses in accordance with the provisions of LSA-R.S. 38:2212. However, the Company failed to publish the required advertisements in both cases.

Criteria:

LSA-R.S. 38:2212 requires publication of an advertisement for all acquisitions of equipment by public bodies exceeding the sum of \$15,000. The Louisiana Attorney General, in Opinion 95-123, determined that fire protection districts and their related entities are subject to the Louisiana Public Bid Law.

Effect:

Failure to publish the required advertisements places the Company in technical violation of LSA-R.S. 38:2212.

Cause:

The Company, by mailing requests for proposals to all major fire truck suppliers, believed that it had complied with the Public Bid Law in all material respects.

Management Response:

The Company mailed bid packets to substantially all of the major firefighting vehicle suppliers in the United States. The single supplier located in Louisiana received a bid packet from the Company, and responded to our request for proposals. Publication of the required advertisement in a local newspaper would not have resulted in any additional responses to our request. However, we will advertise any subsequent purchases of equipment as required by the Louisiana Public Bid Law.

**MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NO. 1**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended December 31, 1997**

INTERNAL CONTROL FINDING

96-1. Reportable Condition 1 – Segregation of Duties

Condition:

There appears to be an inadequate segregation of duties within the accounting function. Due to the limited number of personnel, the Treasurer is charged with most of the responsibilities relating to the cash receipts and disbursements cycles. The Company does, however, have various controls in place which tend to mitigate this problem. Included in these mitigating controls are: (1) dual signatures on all checks are required, (2) all disbursements of funds are approved by the Board, and (3) actual versus budget comparisons are made monthly by the Board on all revenue and expenditure line items.

Current Status:

In the current year, we noted that the mitigating controls described above appear to be operating effectively. Accordingly, this finding is cleared in 1997.