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MARRERO-RAGUSA VOLUNTEER
FIRE COMPANY No. 3

FINANCIAL STATEMENTS

WITH INDEPENDENT AUDITOR'S REPORT THEREON

YEAR ENDED DECEMBER 31, 1998

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 ~~JUL 28 1999~~

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CPA

Certified Public
Accountant, AICPA

BRIAN E. ADORNO

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Phone: (504) 227-2280
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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying statement of financial position of Marreo-Ragusa Volunteer Fire Company No. 3 (a nonprofit organization) as of December 31, 1998, and the related statements of activity, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Ragusa Volunteer Fire Company No. 3 as of December 31, 1998, and the changes in its net assets and cash flows for the year then ended in accordance with generally accepted accounting principles.

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

In accordance with *Government Auditing Standards*, I have also issued a report dated June 29, 1999, 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 29, 1999

Business

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Taxes

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Finance

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Estates

Member:

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MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF FINANCIAL POSITION

December 31, 1998

ASSETS

Cash	\$246,432
Certificates of deposit	200,617
Property and equipment, net of accumulated depreciation	<u>496,844</u>
TOTAL ASSETS	<u><u>\$943,893</u></u>

LIABILITIES

Accounts payable	\$9,134
Accrued salaries and related taxes	23,823
State withholding payable	1,374
Compensated absences	9,946
Pension plan payable	<u>2,064</u>
TOTAL LIABILITIES	<u>46,341</u>

NET ASSETS

Unrestricted Net Assets:		
Operating	\$777,552	
Designated	<u>120,000</u>	
Total Unrestricted Net Assets		<u>897,552</u>
TOTAL NET ASSETS		897,552
TOTAL LIABILITIES AND NET ASSETS		<u><u>\$943,893</u></u>

The accompanying notes are an integral part of this statement.

MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF ACTIVITY

For the Year Ended December 31, 1998

UNRESTRICTED NET ASSETS

Support	
Firefighting contract	\$853,930
Donated firefighting services	8,061
Interest	12,834
Social funds	37,369
	<hr/>
Total Unrestricted Support	912,194
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Expenses	
Program services - Firefighting	733,106
Supporting services - Management and general	62,517
Supporting services - Social	30,463
	<hr/>
Total Expenses	826,086
	<hr/>
INCREASE IN UNRESTRICTED NET ASSETS	86,108
NET ASSETS AT BEGINNING OF YEAR	811,444
	<hr/>
NET ASSETS AT END OF YEAR	897,552
	<hr/> <hr/>

The accompanying notes are an integral part of this statement.

MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1998

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (decrease) in net assets	\$86,108
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	42,783
Increase (decrease) in:	
Accounts payable	(3,620)
Accrued salaries & related taxes	5,243
Other accrued wages	(14,688)
LA state withholding	1,374
Pension plan payable	2,064
Compensated absences	305
	<hr/>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	119,569
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from redemption of short-term investments	104,077
Purchase of short-term investments	(64,000)
Acquisition of equipment	(30,782)
	<hr/>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	9,295
	<hr/>
NET INCREASE (DECREASE) IN CASH	128,864
	<hr/>
CASH AT BEGINNING OF YEAR	117,568
	<hr/>
CASH AT END OF YEAR	\$246,432
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SUPPLEMENTAL DISCLOSURES

Interest paid	-
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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, 1998

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

Description of Activities

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1998

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 scheduled below. Depreciation is provided for in amounts sufficient to relate the cost of depreciable property and equipment to operations over their estimated useful lives using the straight-line method. Estimated useful lives of property and equipment are as follows:

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

Fair Value of Financial Instruments

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

Use of Estimates

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

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1998

NOTE 2 – CASH AND SHORT-TERM INVESTMENTS

At December 31, 1998, 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 \$457,267, and the book balances totaled \$447,049, as follows:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash and money market accounts	\$246,432	\$256,650
Certificates of deposit	<u>200,617</u>	<u>200,617</u>
Total cash and short-term investments	<u>\$447,049</u>	<u>\$457,267</u>

The bank balance is insured by \$457,267 of federal deposit insurance. Private fundraising monies are segregated from other funds and the bank and book account balances maintained by the Company are both \$13,820 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, 1998:

Land	\$127,000
Buildings	363,598
Buildings improvements	37,017
Vehicles	287,486
Firefighting equipment	77,622
Communication equipment	92,103
Furniture and fixtures	<u>110,879</u>
	1,095,705
Less accumulated depreciation	(598,861)
Net property and equipment	<u>\$496,844</u>

Depreciation totaled \$42,783 for the year ended December 31, 1998.

MARRERO-RAGUSA VOLUNTEER FIREC COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1998

NOTE 4 – DONATED SERVICES

Marrero-Ragusa volunteer firefighters responded to calls for service on approximately four hundred ninety-six occasions during 1998. The value of these volunteer services is computed using the average pay for the Company's paid personnel during the year, multiplied by an average response duration of 1.0 hours, with the result multiplied by the number of rolls responded to by volunteers during the year. For 1998, the average hourly pay was \$8.10 per hour for straight time, and there were approximately 995 responses by volunteer personnel, resulting in a value of approximately \$8,061 for volunteer firefighting services, which is reported as revenue and firefighting expense.

NOTE 5 – ACCRUED ABSENCES

The Company's paid operators accrue vacation at varying rates based on their term of service. At December 31, 1998, eighteen employees had accumulated a total of \$9,946 of unused vacation.

NOTE 6 – COMMITMENTS, NET ASSET DESIGNATION

During September 1998, the Company agreed to purchase, under two separate contracts, one new FFA, Inc. Inferno Custom Heavy Duty Rescue unit and three new FFA, Inc. Inferno Custom Pumper units for the sums of \$295,893 and \$643,344, respectively. A deposit of \$120,000 toward the purchase of this equipment was made in January 1999. The remaining contract balances are due upon delivery and acceptance of the apparatus. As of June 29, 1999 this equipment has yet to be delivered. Management intends to pay the balance from part of its accumulated cash funds and through financing arrangements with a private independent financial institution, and the proceeds from the sale of currently owned firefighting apparatus, which the new equipment will replace, to various firefighting districts. As of December 31, 1998, no payments had been made under these contracts, however, the \$120,000 deposit has been designated for this purchase out of unrestricted net assets.

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. Company contributions for the plan year 1998 totaled \$19,927.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1998

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. However, supplemental pay from the State of Louisiana is included for the all wage and benefit calculations for overtime wages, accrued leave, pension benefit calculations, and federal and state tax withholdings.

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, 1998, the Company collected \$37,369 from social activities, and recognized expenses totaling \$30,463.

NOTE 10 - ECONOMIC DEPENDENCY, FIRE PROTECTION CONTRACT

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

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

NOTE 11 - FUNCTIONAL ALLOCATION OF EXPENSES

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

NOTE 12 - YEAR 2000 COMPLIANCE

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

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

NOTES TO THE FINANCIAL STATEMENTS

Year Ended December 31, 1998

NOTE 12 – YEAR 2000 COMPLIANCE (continued)

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

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

SUPPLEMENTARY INFORMATION

MARRERO RAGUSA
VOLUNTEER FIRE COMPANY NO. 3

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 1998

EXPENSES	Fire- Fighting	Support Services		Total
		Management and General	Social	
Salaries and wages	\$444,770	\$18,604	-	\$463,374
Insurance	109,933	-	-	109,933
Depreciation	42,783	-	-	42,783
Repairs - buildings and vehicles	25,803	-	-	25,803
Payroll taxes	36,435	1,423	-	37,858
Donated firefighting services	8,061	-	-	8,061
Donations	-	25	-	25
Telephone and utilities	-	23,559	-	23,559
Social expenses	-	-	\$30,463	30,463
Fire station supplies	15,305	-	-	15,305
Entertainment	-	895	-	895
Equipment	7,571	-	-	7,571
Equipment rental	1,302	-	-	1,302
Radio expense	3,874	-	-	3,874
Compensated absences	-	-	-	0
Accounting and legal	-	10,397	-	10,397
Fuel	5,518	-	-	5,518
Office expense	-	3,875	-	3,875
Uniforms	8,749	-	-	8,749
Dues and subscriptions	-	1,572	-	1,572
Miscellaneous	-	970	-	970
Interest expense	-	-	-	0
Retirement contribution	19,202	725	-	19,927
Training and travel	3,800	-	-	3,800
Advertising	-	45	-	45
Bank charges	-	427	-	427
Total	\$733,106	\$62,517	\$30,463	\$826,086

See Independent Auditor's Report on Supplemental Information.

COMPLIANCE AND INTERNAL CONTROL

CPA

Certified Public Accountant, AICPA

BRIAN E. ADORNO

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

Business

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Taxes

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Finance

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Estates

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, 1998, and have issued our report thereon dated June 29, 1999. I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Marrero-Ragusa's general purpose financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Marrero-Ragusa's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements in amounts that would be

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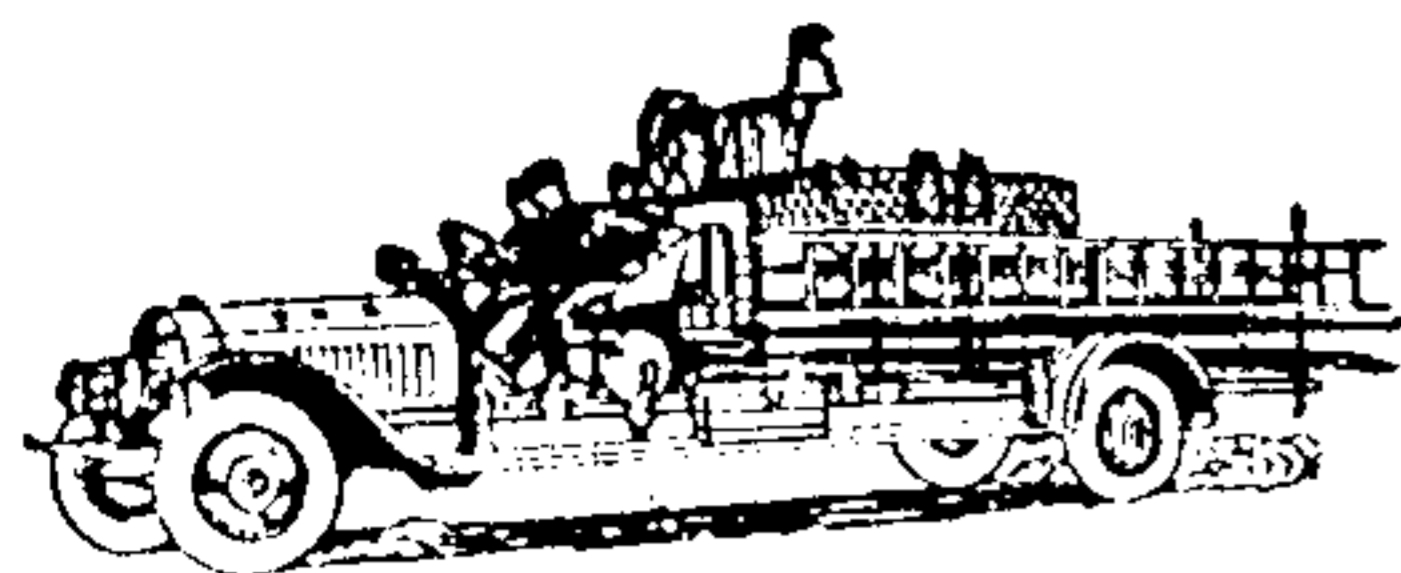
material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by an employee in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses.

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

Brian E. Adorno, CPA
A Professional Corporation

New Orleans, Louisiana
June 29, 1999

MARRERO - RAGUSA VOLUNTEER FIRE CO. No. 3



Help Prevent Fires

STATION 86 - 1400 BERGER ROAD
STATION 87 - 455 ST. ANN STREET
STATION 88 - 5725 BELLE TERRE RD.
MARRERO, LA 70072

Member
LOUISIANA STATE FIREMEN'S
ASSOCIATION

MARRERO-RAGUSA VOLUNTEER FIRE CO. # 3 SCHEDULE OF PRIOR YEAR FINDINGS For the Year Ended December 31, 1998

Section I Internal Control and Compliance Material to the Financial Statements

No findings had been reported.

Section II Internal Control and Compliance Material to Federal Awards

No findings had been reported.

Section III Management Letter

Annual Budget

Company failed to adopt a formal budget of its proposed revenues and expenditures for the year.	Resolved
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Wage & Benefit Calculations

The Company should include state supplemental pay to its firefighting employees for all wage and benefit calculations for overtime wages, accrued leave, pension benefit calculations, and federal and state tax withholdings, as a result of the court holding in <i>Terrytown Fifth District Fire Dept., Inc. v. Wilcox</i> (La. App. 5 Cir. 1998).	Resolved
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Delivery of Books and Records

The Company is to provide books and records to the auditor by April of the following year of audit.	Unresolved - See Management Letter Comment 1998 - 2
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CPA

Certified Public
Accountant, A.P.C.

BRIAN E. ADORNO

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New Orleans, Louisiana 70114

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

June 29, 1999

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

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 Co. # 3 for the year ended December 31, 1998, 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.

During my audit, I became aware of matters that are opportunities for strengthening internal controls and operational efficiency. (I previously reported on the Organization's internal control structure in my report dated June 29, 1999.) This letter does not affect my report dated June 29, 1999 on the financial statements of Marrero-Ragusa Volunteer Fire Co. # 3.

I will review the status of these comments during my next audit engagement. I have already discussed many of these comments and suggestions with the appropriate members of management. I will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. My comments are summarized as follows:

1998-1 Petty Cash

Observation

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

Recommendation

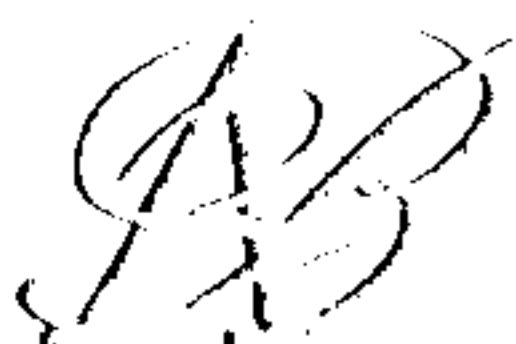
I recommend that the Company reconcile petty cash accounts monthly in order to maintain the predetermined balances as defined by Management.

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Board of Directors
June 29, 1999
Page 2 of 2

1998-2 Delivery of Books and Records

Observation

The Company did not provide books and records to the auditor until May 27, 1999.

Recommendation

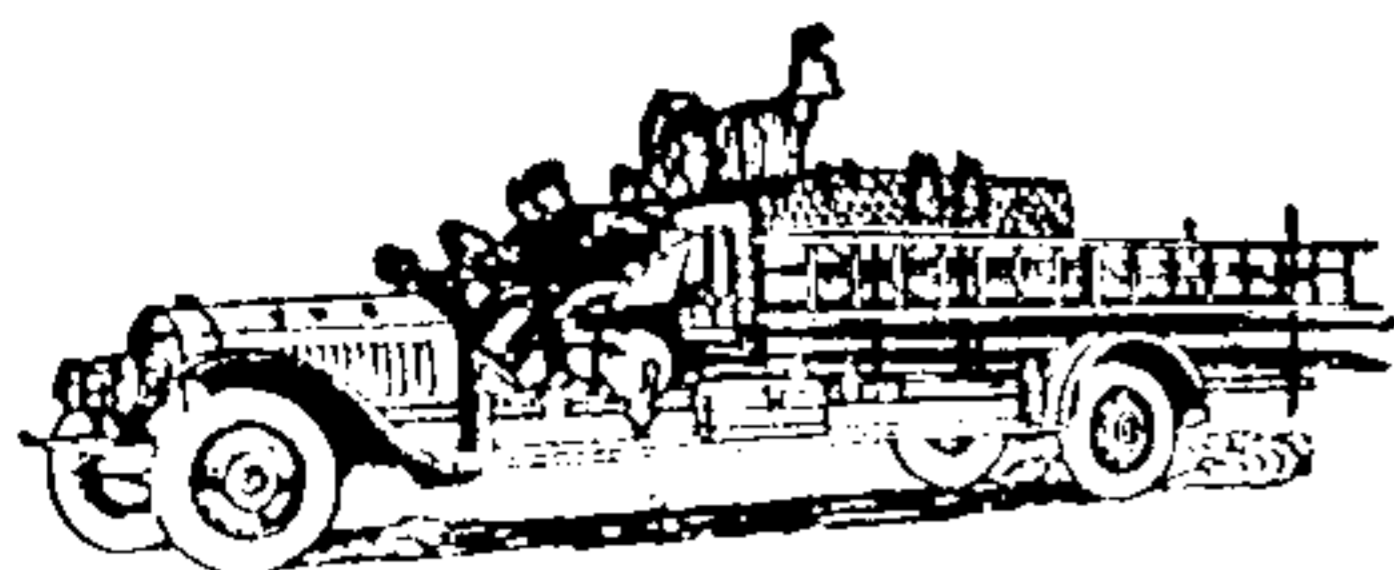
Delivery of books and records has improved from prior years, however, due to unexpected delays in audit confirmations ample time is needed to complete the audit by the due date to the Legislative Auditor's office. I recommend that the Company provide books and records to the auditor in April of the following year of audit.

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

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

Brian E. Adorno, CPA
A Professional Corporation

MARRERO - RAGUSA VOLUNTEER FIRE CO. No. 3



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MARRERO-RAGUSA VOLUNTEER FIRE CO. # 3 MANAGEMENT'S CORRECTIVE ACTION PLAN For the Year Ended December 31, 1998

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

No suggestions made.

Section II -- Internal Control and Compliance Material to Federal Awards

Not applicable. No suggestions made.

Section III -- Management Letter

1998-1 Petty Cash

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

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

1998-2 Delivery of Books and Records

Suggestion: Books and records should be delivered to the auditor by the end of April of each year.

Action: A concentrated effort will be made to deliver our completed books and records to the auditor by the end of April of each year.

MARRERO-RAGUSA VOLUNTEER FIRE CO. # 3

Title: *Robert W. S.*
TREASURER