

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NUMBER 1
NOTES TO THE FINANCIAL STATEMENTS
Year Ended December 31, 1996

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

Description of Activities

Marrero-Harvey Volunteer Fire Company (the Company) was established to provide firefighting and rescue services to a designated area of the Eighth Fire District on the West Bank of Jefferson Parish, Louisiana (a separate entity). In addition, the Company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The company maintains three fire stations and has about seventeen paid employees and approximately twenty-two active volunteers.

Financial Statement Presentation

In 1995, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Nonprofit Organizations." Under SFAS No. 117, the Company is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Company is required to present a statement of cash flows. As permitted by this statement, the Company has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three categories of net assets required. This reclassification had no effect on the change in net assets for any prior years.

Contributions

In 1995, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made." In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and nature of any donor restrictions. This classification had no effect on the change in net assets for any prior years.

SFAS No. 136 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)(6) as a nonprofit organization and thus no provisions for taxes have been made.

MARINER-HARVEY VOLUNTEER FIRE COMPANY NUMBER 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year ended December 31, 1996

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 is defined as all unrestricted highly liquid investments with an initial maturity of three months or less.

Property and Equipment

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

Automobiles	3 - 5 years
Furniture and fixtures	5 - 10 years
Firefighting and rescue equipment	5 - 12 years
Buildings and improvements	30 years

Revenue Recognition

The Company receives funds from the proceeds of an ad valorem tax millage and other funding under a contract with the Jefferson Parish Council to support its firefighting and rescue services.

Ad valorem tax support is recognized when received by the Company.

Fair Value of Financial Instruments

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

Use of Estimates

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

MARRECO-HARVEY VOLUNTEER FIRE COMPANY NUMBER 1
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
 Year Ended December 31, 1986

NOTE 2 - CASH AND SHORT-TERM INVESTMENTS

At December 31, 1986, the Company maintained cash balances, money market accounts, and certificates of deposit in several local banks. The certificates of deposit are classified as cash equivalents as defined in Note 1. The bank balances totaled \$941,139, and the book balances totaled \$938,383, as follows:

	Bank Balances	Bank Balances
Cash and money market accounts	\$ 894,059	\$ 897,393
Certificates of deposit	<u>47,080</u>	<u>40,990</u>
Total cash and equivalents	<u>\$ 941,139</u>	<u>\$ 938,383</u>

The bank balance is insured by \$633,631 of federal deposit insurance, leaving \$307,508 uninsured.

NOTE 3 - PROPERTY AND EQUIPMENT

Below is a summary of the Company's property and equipment at December 31, 1986:

Land	\$ 89,218
Buildings and improvements	649,812
Vehicles	810,280
Firefighting equipment	417,320
Furniture and fixtures	<u>28,836</u>
	2,095,686
Less accumulated depreciation	1,266,041
Net property and equipment	<u>\$ 829,645</u>

Depreciation expense totaled \$112,633 for the year ended December 31, 1986.

NOTE 4 - DONATED SERVICES

Marreco-Harvey volunteer firefighters responded to calls for service approximately 373 times during 1986. The value of these volunteer services are computed using the average pay for the

MARRERO-HARVEY VOLUNTEER FIRE COMPANY NUMBER 1
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
Year Ended December 31, 1996

NOTE 4 - DONATED SERVICES (CONTINUED)

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 calls responded to by volunteers during the year. For 1996, the average hourly pay was \$8.14 per hour for straight time, and there were approximately 175 responses by volunteer personnel, resulting in an approximate value of \$24,993 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 overtime, maintenance time, or overtime, but includes only the time when volunteers were actually responding to calls for assistance. The actual cost of replacing the Company's volunteers with paid firefighters would be significantly higher.

NOTE 5 - EXPENSES PAID BY OTHERS

The full-time firefighters of the Company receive supplemental pay from the State of Louisiana under the provisions of LSA - R.S. 33:2082. The amount of pay received varies based on years of service. As these supplemental state funds are paid directly to the firefighters, and do not pass through the Fire Company, they are not included in these financial statements.

NOTE 6 - FIRE PROTECTION CONTRACT

Substantially all of the Fire Company's public support is derived from funds provided by Jefferson Parish. On September 2, 1994, the Company signed a ten year contract with Jefferson Parish, effective April 1, 1994, under which the Company receives one-third of certain ad valorem taxes assessed within the 8th Fire Protection District of Jefferson Parish, as well as additional funding from sales taxes and fire insurance rebates.

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

NOTE 7 - CONTINGENCIES

During 1996, the Company applied for and received tax-exempt status under Section 501(c)(6) of the Internal Revenue Code, and filed the required Form 990 for its year ended December 31, 1995. However, the Company has not filed any income tax returns as 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 ordered.

**SUPPLEMENTARY
INFORMATION**

MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NUMBER 1
SCHEDULE I
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 1996

<u>EXPENSES</u>	<u>Program Services Fire- Fighting</u>	<u>Support Services Management and General</u>	<u>Total</u>
Salaries and wages	\$ 302,472	\$ -	\$ 302,472
Depreciation	112,633	-	112,633
Insurance	64,985	-	64,985
Payroll taxes	25,000	-	25,000
Donated firefighting services	24,590	-	24,590
Maintenance	22,334	-	22,334
Utilities	-	18,153	18,153
Firefighting supplies	18,113	-	18,113
Operating supplies	13,652	-	13,652
Radio expense	10,377	-	10,377
Miscellaneous	-	3,906	3,906
Accounting and legal	-	3,660	3,660
Fuel	4,921	-	4,921
Equipment repair	4,244	-	4,244
Alcohol and consumables	-	3,993	3,993
Medical expense	-	3,054	3,054
Office expense	-	2,813	2,813
Dues and subscriptions	-	947	947
Licenses	842	-	842
Total	\$ 604,209	\$ 40,294	\$ 644,503

See Independent Auditor's Report.

COMPLIANCE AND INTERNAL CONTROL SECTION

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS

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Philip W. Rebowe, CPA

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

To the Board of Directors
Marra-Harvey Volunteer Fire
Company Number 1

We have audited the financial statements of Marra-Harvey Volunteer Fire Company Number 1 (a nonprofit organization) for the year ended December 31, 1996, and have issued our report thereon dated June 2, 1997.

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 misstatements.

The management of Marra-Harvey Volunteer Fire Company Number 1 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 Marra-Harvey Volunteer Fire Company Number 1 for the year ended December 31, 1996, 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:

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 department 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, and (2) actual versus budget comparisons are made monthly by the board on all revenue and expenditure line items.

Recommendation

The department should be aware of the potential problems caused by inadequate segregation of duties and should be cognizant of the importance of the mitigating controls.

Management Response

We are aware of the situation and will perform procedures necessary to mitigate the potential problem.

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 accounts 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 Marino-Harvey Volunteer Fire Company in a separate letter dated June 3, 1993.

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.

Roberts & Company

A Professional Accounting Corporation

Metairie, Louisiana

June 2, 1997

REBOWE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
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Philip W. Rebowé, CPA

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

The Board of Directors
Marano-Harvey Volunteer Fire
Company Number 1

We have audited the financial statements of Marano-Harvey Volunteer Fire Company Number 1 (a nonprofit organization) for the year ended December 31, 1996 and have issued our report thereon dated June 2, 1997.

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 Marano-Harvey Volunteer Fire Company Number 1 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 test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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.

Rebowe & Company

A Professional Accounting Corporation

Metairie, Louisiana

June 2, 1997

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**MARKHO-HARVEY VOLUNTEER
FIRE COMPANY NUMBER 1**

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

For the Year Ended December 31, 1986

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or receiver, 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 30 1987

REBOWE & COMPANY

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July 28, 1997

July 28, 1997

Mrs. Jeanne Sanders
Legislative Auditors Office
1400 North Third Street
P O Box 94387
Baton Rouge, LA 70804-9387

Dear Mrs. Sanders:

This letter is in response to your request for additional information related to our audit of the Marvyn-Harvey Volunteer Fire Company No. 1 for the year ended December 31, 1996.

In our report dated June 2, 1997, we made reference to a management letter (Page 34) issued to the client. It is this letter in which you are requesting a copy. Please be advised that we did not issue a management letter to this client and that this reference was inadvertently included.

Thank you for your cooperation and I trust that this will satisfy your request. Should you have any further request, you may reach me at (504)837-9118.

Sincerely,



Brent M. Seaton, CPA

cc: Jim T. Gooden III, CPA



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July 16, 1996, 11A

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Marrero-Harvey Volunteer Fire
Company Number 1

We have audited the accompanying statement of financial position of Marrero-Harvey Volunteer Fire Company Number 1 (a nonprofit organization) as of December 31, 1996, and the related statements of activity, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Harvey Volunteer Fire Company Number 1 as of December 31, 1996, and the changes in its net assets and 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 Governor Stanley Shivers, we have also issued a report dated June 2, 1997, on our consideration of Marston-Harvey Volunteer Fire Company Number 1's internal control structure and a report dated June 2, 1997, on its compliance with laws and regulations.

Robson & Company

A Professional Accounting Corporation

Metairie, Louisiana

June 2, 1997

MARRINO-HARVITZ VOLUNTEER
FIRE COMPANY NUMBER 1
STATEMENT OF FINANCIAL POSITION
For the Year Ended December 31, 1996

ASSETS

Current assets

Cash and equivalents \$ 938,385

Total current assets 938,385

Property and equipment, (net of
accumulated depreciation of \$1,264,041) 879,645

TOTAL ASSETS \$ 1,758,030

LIABILITIES

Current liabilities

Accounts payable \$ 54,290

Accrued salaries and related taxes 8,421

Total Current Liabilities 62,711

NET ASSETS

Unrestricted 1,758,319

Total Net Assets 1,758,319

TOTAL LIABILITIES AND NET ASSETS \$ 1,758,030

The accompanying notes are an integral part of this statement.

MARRERO-HARVEY VOLUNTEER
FIRE COMPANY NUMBER 1
STATEMENT OF ACTIVITY
For the Year Ended December 31, 1995

UNRESTRICTED NET ASSETS

Support

Firefighting contract	\$ 338,335
Donated firefighting services*	24,993
Interest	18,938
Other income	____ 16,473
Total Support	____ 398,739

Expenses

Program services - Firefighting	604,288
Supporting services - Management and general	____ 43,724
Total Expenses	____ 648,012

INCREASE IN UNRESTRICTED NET ASSETS 153,727

Net assets, at December 31, 1995 ____ 1,531,243

Net assets, at December 31, 1996 \$ 1,785,512

The accompanying notes are an integral part of this statement.

MARRIOTT-HEARST VOLUNTEER
FIRE COMPANY NUMBER 1
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 1996

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase in net assets	\$ 153,374
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	112,613
Increase (decrease) in:	
Accounts payable	40,843
Accrued salaries and other liabilities	<u>62,120</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>368,950</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Acquisition of equipment	<u>(38,473)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(38,473)</u>
NET INCREASE IN CASH	345,649
CASH AT BEGINNING OF YEAR	<u>893,136</u>
CASH AT END OF YEAR	<u>\$ 1,238,785</u>
SUPPLEMENTAL DISCLOSURES	
Interest paid	\$ -0-
Income taxes paid	\$ -0-

The accompanying notes are an integral part of this statement.