R E P O R T

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

DECEMBER 31, 2019 AND 2018

MARRERO-RAGUSA VOLUNTEER
FIRE COMPANY NO. 3

REPORT INDEX

DECEMBER 31, 2019 AND 2018

DHHM
certified public accountants

Duplantier
Hrapmann
Hogan &
Maher, LLP

A.J. Duplantier, Jr., CPA
(1919-1985)
Felix J. Hrapmann, Jr., CPA
(1919-1990)
William R. Hogan, Jr., CPA
(1920-1996)
James Maher, Jr., CPA
(1921-1999)

Lindsay J. Calub, CPA, LLC
Guy L. Duplantier, CPA
Michelle H. Cunningham, CPA
Dennis W. Dillon, CPA
Grady C. Lloyd, III CPA

Heather M. Jovanovich, CPA
Terri L. Kitto, CPA

Robynn P. Beck, CPA
John P. Butler, CPA
Jason C. Montegut, CPA
Paul M. Novak, CPA, AVB, CVA
Wesley D. Wade, CPA

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

INDEPENDENT AUDITOR'S REPORT

June 24, 2020

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

We have audited the accompanying financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 (a Louisiana nonprofit corporation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Marrero-Ragusa Volunteer Fire Company No. 3 as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of compensation, benefits and other payments to agency head or chief executive officer on page 18 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2020 on our consideration of Marrero-Ragusa Volunteer Fire Company No. 3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Marrero-Ragusa Volunteer Fire Company No. 3's internal control over financial reporting and compliance.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS

	2019	2018 (restated)
CURRENT ASSETS:		
Cash and cash equivalents	$ 1,089,914	$ 945,376
Prepaid expenses	29,923	-
Investments	-	309,053
Total current assets	1,119,837	1,254,429
Property and equipment, net of accumulated depreciation	1,340,734	623,826
TOTAL ASSETS	$ 2,460,571	$ 1,878,255

LIABILITIES AND NET ASSETS

	2019	2018 (restated)
CURRENT LIABILITIES:		
Accrued payroll and tax liabilities	$ 34,072	$ 44,657
Accrued interest payable	795	5,154
Compensated absences	48,722	45,591
Capital lease obligations	13,004	16,756
Current portion of notes payable	41,117	39,677
Total current liabilities	137,710	151,835
LONG-TERM LIABILITIES:		
Capital lease obligations	-	28,425
Note payable	86,764	127,881
Total long-term liabilities	86,764	156,306
Total liabilities	224,474	308,141
Net Assets:		
Without donor restrictions	2,236,097	1,570,114
Total net assets	2,236,097	1,570,114
TOTAL LIABILITIES AND NET ASSETS	$ 2,460,571	$ 1,878,255

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018 (restated)
REVENUE:		
Contract revenue:		
Firefighting contract	$ 2,400,000	$ 2,400,000
Jefferson Parish insurance rebate	50,554	50,816
Jefferson Parish capital account	862,462	-
Insurance proceeds	95,598	-
Interest	15,671	17,831
Other	129,370	81,021
Gain on investments	15,825	870
Total revenue	3,569,480	2,550,538
EXPENSES:		
Program services - firefighting	2,754,531	2,592,069
Supporting services:		
Management and general	148,966	136,443
Fundraising	-	-
Total expenses	2,903,497	2,728,512
INCREASE (DECREASE) IN NET ASSETS	665,983	(177,974)
NET ASSETS WITHOUT DONOR RESTRICTIONS - BEGINNING OF PERIOD	1,570,114	1,748,088
NET ASSETS WITHOUT DONOR RESTRICTIONS - END OF PERIOD	$ 2,236,097	$ 1,570,114

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Firefighting	Management and General	Fundraising	Total
EXPENSES:				
Accounting and legal	$ -	$ 34,976	$ -	$ 34,976
Arson investigation	4,173	-	-	4,173
Investment and bank fees	-	1,315	-	1,315
Contract work	-	112	-	112
Depreciation	155,315	5,283	-	160,598
Dues and subscriptions	-	1,887	-	1,887
Equipment	8,193	5,809	-	14,002
Fire Alarm	5,475	-	-	5,475
Fire prevention	2,305	-	-	2,305
Fire station supplies	35,405	-	-	35,405
Fuel	14,821	-	-	14,821
Gear	11,253	-	-	11,253
Insurance	553,811	18,837	-	572,648
Interest	-	5,597	-	5,597
Medical	3,984	136	-	4,120
Meetings	-	962	-	962
Office	-	20,077	-	20,077
Payroll taxes	132,148	1,792	-	133,940
Radio	-	-	-	-
Repairs - station and vehicles	287,891	-	-	287,891
Retirement contribution	48,576	1,652	-	50,228
Salaries and wages	1,420,681	48,323	-	1,469,004
Software	11,741	399	-	12,140
Taxes and licenses	-	-	-	-
Telephone and utilities	53,186	1,809	-	54,995
Training and travel	1,568	-	-	1,568
Uniforms	4,005	-	-	4,005
TOTAL	$ 2,754,531	$ 148,966	$ -	$ 2,903,497

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018
(restated)

	Firefighting	Management and General	Fundraising	Total
EXPENSES:				
Accounting and legal	$ -	$ 24,915	$ -	$ 24,915
Arson investigation	2,648	-	-	2,648
Investment and bank fees	-	3,599	-	3,599
Depreciation	112,457	4,104	-	116,561
Dues and subscriptions	-	8,855	-	8,855
Equipment	4,054	-	-	4,054
Fire alarm	15,554	-	-	15,554
Fire prevention	-	-	-	-
Fire station supplies	43,543	-	-	43,543
Fuel	14,179	-	-	14,179
Gear	7,946	-	-	7,946
Insurance	522,397	19,063	-	541,460
Interest	-	7,469	-	7,469
Medical	13,461	491	-	13,952
Meetings	-	579	-	579
Office	-	9,414	-	9,414
Payroll taxes	120,048	4,560	-	124,608
Radio	1,354	-	-	1,354
Repairs - station and vehicles	78,414	-	-	78,414
Retirement contribution	41,835	1,527	-	43,362
Salaries and wages	1,538,691	49,775	-	1,588,466
Software	-	-	-	-
Taxes and licenses	2,289	-	-	2,289
Telephone and utilities	57,343	2,092	-	59,435
Training and travel	5,847	-	-	5,847
Uniforms	10,009	-	-	10,009
TOTAL	$ 2,592,069	$ 136,443	$ -	$ 2,728,512

See accompanying notes.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 665,983	$ (177,974)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	160,598	116,561
Gain on investments	(15,826)	(870)
Increase in prepaid expenses	(29,923)	-
Increase (decrease) in accrued payroll and tax liabilities	(10,585)	9,945
Decrease interest payable	(4,359)	(2,778)
Increase in compensated absences	3,131	33,336
Net cash provided (used) by operating activities	769,019	(21,780)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from investments	324,057	-
Acquisition of equipment	(877,506)	(40,145)
Net cash used by investing activities	(553,449)	(40,145)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan payments	(41,117)	(35,184)
Capital lease payments	(29,916)	(17,060)
Net cash used by financing activities	(71,033)	(52,244)
NET INCREASE (DECREASE) IN CASH	144,537	(114,169)
Cash at beginning of year	945,377	1,059,546
CASH AT END OF YEAR	$ 1,089,914	$ 945,377
SUPPLEMENTAL DISCLOSURES:		
Interest paid	$ 7,416	$ 10,247
Taxes paid	$ -	$ -

See accompanying notes.

ORGANIZATION:

Marrero-Ragusa Volunteer Fire Company No. 3 (the Company) was established in 1954 to provide firefighting and rescue service to a designated area of the Eighth Fire District on the West Bank of Jefferson Parish, Louisiana (a separate entity). In addition, the Company provides fire code inspections for businesses within its district, as well as firefighting and rescue training for its members. The Company maintains three fire stations and has 37 paid employees and approximately 25 volunteers. The Company's main source of revenue is a fire protection contract with Jefferson Parish effective for the period June 1, 2004 through May 31, 2014. The contract was adopted by the Jefferson Parish Council on May 25, 2004 by resolution number 103561. The contract is currently operating on a month-to-month basis. The Company is in the process of negotiating a new contract with Jefferson Parish.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A summary of the Company's significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting and Financial Statement Presentation:

The financial statements are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

The statement of activities presents expenses of the Company's operations functionally between program service for firefighting, administrative and general and social. Those expenses which cannot be functionally categorized are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Revenue:

Revenue consists primarily of appropriations of ad valorem taxes and fire insurance rebate funds received from the Eighth Fire Protection District. Marrero-Ragusa Volunteer Fire Company No. 3 receives a percentage of total funds available to the Eighth Fire Protection District based on the formula contained in a contract agreed to by all participating fire departments in the district. These revenues are reported on the accrual basis of accounting. Other sources of revenues would include fund raising, contributions, and interest. These other sources of revenue are recorded when received.

Contributions:

The Company adopted FASB ASC 958-605-10, *Accounting for Contributions Received and Contributions Made*. In accordance with ASC 605-10, contributions received are recorded with donor restrictions and without donor restrictions depending on the nature of any donor restrictions.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Contributions: (continued)

FASB ASC 958-605-10 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 haveto be purchased by the Company or Jefferson Parish if the services were not provided by volunteers.

During the year ended December 31, 2019, the Company adopted the requirements of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The update clarifies and improves guidance for contributions received and contributions made, and provides guidance to organizations on how to account for certain exchange transactions

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.

The Company's Federal Return of Organization Exempt from Income Tax (990) for 2019, 2018, 2017, and 2016 are subject to examination by the IRS, generally, for three years after they were filed.

Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Company considers cash in operating bank accounts, demand deposits, cash on hand, and highly-liquid debt instruments purchased with a maturity of three months or less as cash and cash equivalents.

Investments:

The Company accounts for investments in accordance with ASC 958-320-50. Investments in marketable securities with readily determinable fair values are valued at their fair values in the statement of financial position. At December 31, 2018, investments consisted of mutual funds and are reported at their fair values based on quoted market prices. The quoted market prices are considered a Level 1 input under the fair value hierarchy as qualified by ASC 820-10-50. Unrealized gains and losses are included in the changes in net assets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Property and Equipment:

Acquisitions of property and equipment in excess of $5,000 and expenditures for repairs, maintenance, renewals and betterments that materially prolong the useful lives of assets are capitalized. 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:

Vehicles	5 - 7 years
Furniture and fixtures	3 - 10 years
Firefighting and rescue equipment	5 - 10 years
Buildings and improvements	7 - 35 years

Advertising Costs:

Advertising costs are expensed as incurred and totaled $-0- and $-0- for the years ended December 31, 2019 and 2018, respectively.

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.

New Accounting Pronouncements:

During the year ended December 31, 2018, the fire company adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)*. This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is a change in the net asset classes used in the financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with restrictions. A footnote on liquidity and availability of financial statements has also been added to the financial statements (Note 10).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

New Accounting Pronouncements: (continued)

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. The Company adopted the standard on July 1, 2019. The Company's program revenue is generated substantially from a fire protection contract with Jefferson Parish.

The Company analyzed the provisions of FASB's ASC Topic 606, *Revenue from Contracts with Customers*, and have concluded that no changes to their revenue recognition are needed to conform with the new standard. Revenue is recognized when monthly payments from Jefferson Parish are received (Note 13).

During the year ended December 31, 2019, the Company adopted the requirements of ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* As a result, it enhances comparability of financial information among not-for-profit entities. This standard was adopted on January 1, 2019, the first day of the Company's fiscal year.

As a result of adopting ASU 2018-08, there was no cumulative-effect adjustment to opening net assets without donor restrictions as of January 1, 2019.

2. CASH:

At December 31, 2019 and 2018, the Company maintained cash balances in a local bank. The bank balances totaled $1,122,190 and $84,618 and the book balances totaled $1,089,914 and $88,272, respectively. The book balances include petty cash in the amount of $-0- and $500 for the years ended December 31, 2019 and 2018, respectively.

Bank balances were insured by federal deposit insurance and through a promontory ICS sweep account.

3. CASH EQUIVALENTS:

At December 31, 2018, the Company held cash equivalents with a fair value of $856,604. These funds are managed by Louisiana Asset Management Pool (LAMP), held by a custodial bank and are in the name of the fund. During the year ended December 31, 2019, the Company closed the LAMP account and moved the entire amount to an account at a local bank.

3. CASH EQUIVALENTS: (Continued)

LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government and quasi-public entities having contracted to participate in LAMP have in investment in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments and quasi-public entities in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. LAMP is rated AAAm by Standard and Poor's.

LAMP is a local government 2a7-like investment pool established as a cooperative endeavor to enable public entities of the State of Louisiana to aggregate funds for investment.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with maturity in excess of 397 days. LAMP is designed to be highly-liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based upon quoted market rates. The fair value is determined on a weekly basis by LAMP, and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

4. PROPERTY AND EQUIPMENT:

Below is a summary of the Company's property and equipment at December 31, 2019 and 2018:

	2019	2018
Land	$ 127,000	$ 127,000
Parking lot	35,400	35,400
Buildings	374,532	374,532
Building improvements	176,760	161,716
Vehicles	1,487,102	868,651
Equipment	592,479	442,861
Communication equipment	195,170	195,170
Furtniture and fixtures	20,899	20,899
	3,009,342	2,226,229
Less accumulated depreciation	(1,668,608)	(1,602,403)
Net property and equipment	$ 1,340,734	$ 623,826

4. PROPERTY AND EQUIPMENT: (Continued)

Depreciation totaled $160,598 and $116,561 for the years ended December 31, 2019 and 2018, respectively.

5. DONATED SERVICES:

Amounts have not been reflected in the financial statements for donated services because the value of these services was not readily determinable. However, a substantial number of volunteers have donated significant amounts of their time in the Company's program services. All members of the Board of Directors serve without compensation.

6. COMPENSATED ABSENCES:

The Company's paid operators accrue vacation at varying rates based on their term of service. At December 31, 2019 and 2018, 25 and 25 employees had accumulated a total of $48,722 and $45,591, respectively, of unused vacation.

7. CAPITAL LEASE OBLIGATIONS:

On November 30, 2015, the Company signed financing lease-purchase agreements for two 2015 GMC Sierras. The lease obligations are amortized requiring six annual payments of $8,367 and $8,389 due January 14th of each year and include an interest charge of 4.70% per annum for each lease agreement. The Company prepaid the first payment of $8,367 in December 2015 for one of the leases.

The total cost of the leased vehicles financed by capital leases was $100,538 and accumulated depreciation recorded for the vehicles financed by capital leases was $83,781 and $63,674, respectively, at December 31, 2019 and 2018. Depreciation expense reported in the Statement of Activities included $20,108 for the vehicles under capital leases for each of the years ended December 31, 2019 and 2018.

Future value of minimum lease payments is as follows at December 31, 2019:

2020	$ 13,799
Less: amount representing interest	(795)
Present value of net minimum lease payments	13,004
Less: current portion due within a year	(13,004)
Long-term capital lease obligation	$ -

8. EMPLOYEE BENEFIT PLAN:

The Company has a 401(k) retirement plan for all eligible employees. Eligible employees must contribute up to 2% of their gross salary to be eligible for employer matching contributions. The Company may make a discretionary matching contribution equal to a percentage of salary deferrals. In addition, the Company is allowed to make a discretionary profit-sharing contribution for its eligible employees. The Company made an employer matching contribution up to 4% for all eligible employees. During the years ended December 31, 2019 and 2018, the Company contributed a total of $50,228 and $43,362, respectively, to the plan.

9. NOTE PAYABLE:

During the year ended December 31, 2013, the Company signed a governmental contract obligation with Republic First National Corporation to finance the purchase of a fire truck. The obligation is payable in 10 annual installments of $45,757 each due on August 1st of each year and include an interest charge of 3.63% per annum. The obligation matures on August 1, 2022 and is secured by a Ferrara Custom Pumper. The balance at December 31, 2019 and 2018 was $127,881 and $167,558, respectively.

The future schedule of minimum payments is as follows:

Year ending December 31		
	2020	$ 45,757
	2021	45,757
	2022	45,757
Less: amount representing interest		(9,390)
		127,881
Less: current portion due in one year		(41,117)
Long-term liability		$ 86,764

Interest expense was $6,080 and $7,469 for the years ended December 31, 2019 and 2018, respectively.

10. LIQUIDITY AND AVAILABITY OF FINANCIAL ASSETS:

The following reflects the fire company's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date. Amounts available include donor restricted amounts that are available for general expenditure in the following year.

10. LIQUIDITY AND AVAILABITY OF FINANCIAL ASSETS: (Continued)

	2019	2018
Financial assets, at year end:		
Cash and cash equivalents	$1,089,914	$ 945,376
Investments	-	309,053
Total financial assets at year end	1,089,914	1,254,429
Less contractual or donor-imposed restrictions:		
Total contractual or donor-imposed restrictions	(137,710)	(151,835)
Financial assets available to meet cash needs for general expenditures within one year	$ 952,204	$1,102,594

11. INVESTMENTS:

Investments consisted of the following at December 31, 2018:

	Fair Market Value	Fair Value Measurements Using Quoted Prices in Markets For Identical Assets (Level 1)
2018		
Mutual funds	$ 309,053	$ 309,053

During the year ended December 31, 2019, the Company closed their investment account and moved all of the money to an account at a local bank.

Following is a summary of investment returns for the years ended December 31, 2019 and 2018:

	2019	2018
Interest and dividends income	$ -	$ 9,523
Net realized and unrealized gain (loss)	15,826	(8,653)
Total investment return	$ 15,826	$ 870

12. 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.

13. ECONOMIC DEPENDENCY, FIRE PROTECTION CONTRACT:

Substantially all of the Company's public support is derived from funds provided by Jefferson Parish. The Company has a contract with Jefferson Parish, effective June 1, 2004 through May 31, 2014, 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. The contract is currently on a month-to-month basis and is in the process of being renewed with Jefferson Parish.

Amounts received from ad valorem taxes through the Jefferson Parish contract were \$2,400,000 for each of the years ended December 31, 2019 and 2018. Fire insurance rebates received through the Jefferson Parish contract were \$50,554 and \$50,816 for the years ended December 31, 2019 and 2018, respectively.

14. FUNCTIONAL ALLOCATION OF EXPENSES:

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

15. RESTATEMENT OF FINANCIAL STATEMENTS:

An error in the accrual for compensated absences was noted for the year ended December 31, 2018. The result of the correction was an increase in accrued liabilities in the amount of \$34,054 which resulted in a decrease in net assets without donor restrictions of \$34,054.

As per stated in the Louisiana Audit Law the provisions for financial statements of local auditees apply to the state or local assistance received as long as those funds are not commingled with other funds of the quasi-public agency. During the year ended December 31, 2019, the funds received from non-public sources are kept in a separate account. With this change, all social account activity is now excluded from the accompanying financial statements. The results of this change on the 2018 financial statements was a decrease in cash of \$74,971 and an increase in net assets without donor restrictions of \$11,866.

16. DATE OF MANAGEMENT'S REVIEW:

Subsequent events have been evaluated by management through June 24, 2020, which is the date that the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which could possibly impact the Company. The related financial impact and duration cannot be reasonably estimated at this time.

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3
SUPPLEMENTARY INFORMATION
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS
TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER
DECEMBER 31, 2019

Agency Head Name: Rickie Eslick Sr., Fire Chief

Purpose	**Amount**
Salary	$70,211
Benefits - insurance	21,502
Benefits - retirement	5,848
Cell phone	1,257
Total	$98,818

DHHM
certified public accountants

Duplantier
Hrapmann
Hogan &
Maher, LLP

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Wesley D. Wade, CPA

Michael J. O' Rourke, CPA
David A. Burgard, CPA
Clifford J. Giffin, Jr., CPA
William G. Stamm, CPA

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

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

June 24, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 (a Louisiana nonprofit organization), which comprise the statement of financial position as December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 24, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Marrero-Ragusa Volunteer Fire Company No. 3's (the Company) internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency; it is noted as 2019-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marrero-Ragusa Volunteer Fire Company No. 3's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Marrero-Ragusa Volunteer Fire Company No. 3's Response to Findings

Marrero-Ragusa Volunteer Fire Company No. 3's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Marrero-Ragusa Volunteer Fire Company No. 3's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY, NO. 3
SCHEDULE OF CURRENT YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

SUMMARY OF AUDITOR'S RESULTS:

1. The opinion issued on the financial statements of Marrero-Ragusa Volunteer Fire Company No. 3 for the year ended December 31, 2019 was unmodified.

2. Internal Control
   Material weaknesses: None noted
   Significant deficiencies: 2019-01

3. Compliance and Other Matters
   Noncompliance material to financial statements: None noted

INTERNAL CONTROL-SIGNIFICANT DEFICIENCIES

2019-01 Journal Entries

Condition and Criteria

Journal entries were required for financial statement misstatements related to accrued payroll, notes payable and fixed asset accounts. Generally accepted auditing standards consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control. This is a repeat finding.

Cause

AU-C 265 requires that we report the above condition as a control deficiency. The standard does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Company has relied on its auditor to identify and correct such financial statement misstatements.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying the reporting requirements of AU-C 265. We recommend that the Company engage someone to assist with monthly and annual closing entries.

Management's Response

We hired a new office administrator during 2019 with more experience than the previous administrator. Replacing the former employee while providing additional training for our employee will address the accounting issues we have had in the past.

FINDINGS REQUIRED TO BE REPORTED UNDER GOVERNMENTAL AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA:

None noted

STATUS OF PRIOR YEAR FINDINGS:

2018-01 Journal Entries

Condition and Criteria

Journal entries were required for financial statement misstatements related to accrued payroll, notes payable, and fixed asset accounts. Generally accepted auditing standards consider year-end adjusting entries prepared by the auditor to be a significant deficiency in internal control. This finding is repeated as 2019-01 in the current year.

Cause

AU-C 265 requires that we report the above condition as a control deficiency. The standard does not provide exceptions to reporting deficiencies that are mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical. The Company has relied on its auditor to identify and correct such financial statement misstatements.

Recommendation

As mentioned, whether or not it would be cost effective to cure a control deficiency is not a factor in applying the reporting requirements of AU-C 265. We recommend that the Company engage someone to assist with monthly and annual closing entries.

Management's Response

We hired a new office administrator during 2019 with more experience than the previous administrator. Replacing the former employee while providing additional training for our employee will address the accounting issues we have had in the past..

MARRERO-RAGUSA VOLUNTEER
FIRE COMPANY NO. 3

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED UPON PROCEDURES

FOR THE FISCAL PERIOD
JANUARY 1, 2019 - DECEMBER 31, 2019

MARRERO-RAGUSA VOLUNTEER FIRE COMPANY NO. 3

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DECEMBER 31, 2019

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William G. Stamm, CPA

New Orleans
1615 Poydras Street,
Suite 2100
New Orleans, LA 70112
Phone: (504) 586-8866
Fax: (504) 525-5888

Northshore
1290 Seventh Street
Slidell, LA 70458
Phone: (985) 641-1272
Fax: (985) 781-6497

Houma
247 Corporate Drive
Houma, LA 70360
Phone: (985) 868-2630
Fax: (985) 872-3833

Napoleonville
5047 Highway 1
P.O. Box 830
Napoleonville, LA 70390
Phone: (985) 369-6003
Fax: (985) 369-9941

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

June 22, 2020

Board of Directors
Marrero-Ragusa Volunteer Fire Company No. 3 and
The Louisiana Legislative Auditor

We have performed the procedures enumerated below which were agreed to by Marrero-Ragusa Volunteer Fire Company No. 3 (MRVFC) and the Louisiana Legislative Auditor (LLA), on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed Upon Procedures (SAUPs) for the period of January 1, 2019 through December 31, 2019. MRVFC's management is responsible for the C/C areas identified in the SAUPs.

This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. We obtained the entity's written policies and procedures and observed that those written policies and procedures addressed each of the following financial/business functions, as applicable:

   a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
c) Disbursements, including processing, reviewing, and approving.
d) Receipts/collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue.
e) Payroll/Personnel, including (l) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.
h) Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
i) Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Upon applying the agreed upon procedures above, we noted the following:

- MRVFC has no written policies over budgeting, purchasing, disbursements, receipts, payroll/personnel, contracting, and disaster recovery/business continuity.

Management's response:

Management is in the process of developing written polices for all areas noted above.

Board or Finance Committee

2. We obtained and inspected the board/finance committee minutes for the fiscal period as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
b) For those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.

Upon applying the agreed upon procedures above, we noted the following:

No findings were noted as a result of applying the procedure above.

Bank Reconciliations

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We asked management to identify the entity's main operating account. We selected the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). We randomly selected one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

   a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
   b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
   c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Upon applying the agreed upon procedures above, we noted the following:

We noted evidence of review by a member of management or a board member for only two of the twelve months examined.

Management's response:

A member of the board reviews bank reconciliations and note approval. We will make sure that this is documented on each monthly reconciliation.

Collections

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. We randomly selected 5 deposit sites (or all deposit sites if less than 5).

   No findings were noted as a result of applying the procedure above.

5. For each deposit site selected, we obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), we obtained and inspected written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observeed that job duties are properly segregated at each collection location such that:

a) Employees that are responsible for cash collections do not share cash drawers/registers.

b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Upon applying the agreed upon procedures above, we noted the following:

- We noted the employee responsible for handling cash is the same employee who prepares/makes bank deposits.

- We noted the employee responsible for handling cash is the same employee who post collections entries to the general ledger.

Management's response:

We are currently working on a policy regarding cash collection. We will separate the duties of collecting, depositing and reconciling cash when possible due to having only one administrative employee. The cash and checks received at the station is very minimal.

6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

   No findings were noted as a result of applying the procedure above.

7. We randomly selected two deposit dates for each of the bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and we randomly selected a deposit if multiple deposits were made on the same day. Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. We obtained supporting documentation for each of the 10 deposits and:

   a) Observed that receipts are sequentially pre-numbered.
   b) Traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
   c) Traced the deposit slip total to the actual deposit per the bank statement.
   d) Observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than $100).
   e) Traced the actual deposit per the bank statement to the general ledger.

Upon applying the agreed upon procedures above, we noted the following:

- We noted one of the collections tested was deposited more than one business day from the receipt of the collections.

Management's response:

Approximately 93% of the station's revenue is received through EFT, and no federal, state or parish funds are received as cash. Management reviews collections monthly for completeness. We will look into segregating these duties. Cash received for fire reports is collected by someone other than the person depositing.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

8. We obtained a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. We randomly selected all locations (Only one location processes disbursements).

   No findings were noted as a result of applying the procedure above.

9. For each location selected under #8 above, we obtained a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquired of employees about their job duties), and observed that job duties are properly segregated such that:

   a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
   b) At least two employees are involved in processing and approving payments to vendors.
   c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
   d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

   Upon applying the agreed upon procedures above, we noted the following:

   - The administrator is responsible for mailing the checks as well as processing the payments.

   Management's response:

   This is due to our limited staff size. We will attempt to segregate the task of processing payments.

10. For each location selected under #8 above, We obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements and obtained supporting documentation for each transaction and:

a) We observed that the disbursement matched the related original invoice/billing statement.
b) We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No findings were noted as a result of applying the procedure above.

<u>Credit Cards/ Debit Cards/ Fuel Cards/P-Cards</u>

11. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.

    No findings were noted as a result of applying the procedure above.

12. Using the listing prepared by management, we randomly selected 5 cards (or all cards if less than 5) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card. We obtained supporting documentation, and:

    a) Observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
    b) Observed that finance charges and late fees were not assessed on the selected statements.

    <u>Upon applying the agreed upon procedures above, we noted the following:</u>

    No findings were noted as a result of applying the procedure above.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected 10 transactions (or all transactions if less than 10) from each statement, and obtained supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, we observed that it is supported by:

    a) an original itemized receipt that identifies precisely what was purchased,
    b) written documentation of the business/public purpose, and
    c) documentation of the individuals participating in meals (for meal charges only).

    <u>Upon applying the agreed upon procedures above, we noted the following:</u>

    No findings were noted as a result of applying the procedure above.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

New Orleans, Louisiana