

ST. TAMMANY PARISH RECREATION DISTRICT NO. 11
ABITA SPRINGS, LOUISIANA

ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2017



PHIL HEBERT
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL ACCOUNTING CORPORATION

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Annual Financial Statements
As of and for the Year Ended December 31, 2017
With Supplemental Information Schedules**

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St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Annual Financial Statements
As of and for the Year Ended December 31, 2017
With Supplemental Information Schedules

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CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Auditor's Report

Board of Commissioners
St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

We have audited the accompanying financial statements of the governmental activities, and the general fund of St. Tammany Parish Recreation District No. 11, Abita Springs, Louisiana, a component unit of the St. Tammany Parish Council, as of and for the fiscal year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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 opinions on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 risks 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the general fund of the St. Tammany Parish Recreation District No. 11, as of December 31, 2017, and the respective changes in financial position for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 6 through 11 and pages 38 and 39, Schedule of Proportionate Share of the Net Pension Liability on page 40, and the Schedule of Contributions on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Tammany Parish Recreation District No 11's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Compensation, Benefits and Other Payments to Agency Head are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits and Other Payments to Agency Head are fairly stated in all material respects in relation to the basic 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 May 1, 2018, on our consideration of the St. Tammany Parish Recreation District No. 11's internal control over financial reporting and on our test 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 that testing, and not to provide an opinion on 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 St. Tammany Parish Recreation District No. 11's internal control over financial reporting and compliance.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Ponchatoula, Louisiana

May 1, 2018

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Required Supplemental Information (Part I)
Management's Discussion and Analysis

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana
Management's Discussion and Analysis
December 31, 2017

Introduction

The St. Tammany Parish Recreation District No. 11 was established by the St. Tammany Parish Council on July 2, 2002 pursuant to Louisiana Revised Statute 33:4564. The District has the authority to own and operate facilities and engage in activities which promote recreation. The District area encompasses all of Ward 10, including the Town of Abita Springs. The governing board is made up of five commissioners; four are appointed by the Parish Council and one is appointed by the Parish President.

Financial Highlights

- At December 31, 2017, the District's assets exceeded its liabilities by \$2,324,290 (net position). Of this amount, \$774,127 (unrestricted net position) may be used to meet the District's ongoing obligations to its citizens.
- At December 31, 2017, the District's governmental fund reported a fund balance of \$756,146, a decrease of \$330,693 from the previous year. Of this amount, \$747,999 is unassigned and available for spending at the District's discretion, \$10 is restricted for debt service, and \$8,137 is nonspendable.

Overview of the Financial Statements

The financial statement focus is on both the District as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The MD&A is intended to serve as an introduction to the District's basic financial statements, which consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

Government-Wide Financial Statements

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Position and Statement of Activities, seeking to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private sector.

The Statement of Net Position presents information on all the District's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana
Management's Discussion and Analysis
December 31, 2017

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District consist of one category: governmental funds.

Governmental funds are used to account for most of the District's basic services as reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations can be found on Statements D and F.

The District maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and change in fund balance for the General Fund. The basic governmental fund financial statements can be found on Statements C and E of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 36 of this report.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana
Management's Discussion and Analysis
December 31, 2017

Financial Analysis of the District as a Whole

The following table provides a summary of the District's net position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position following this section.

Summary of Net Position
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets:		
Current and Other Assets	\$ 823,925	\$ 1,306,972
Capital Assets	3,450,153	3,152,113
Total Assets	<u>4,274,078</u>	<u>4,459,085</u>
Deferred Outflows of Resources	40,345	49,484
Total Assets and Deferred Outflows of Resources	<u>4,314,423</u>	<u>4,508,569</u>
Liabilities:		
Current Liabilities	84,769	233,607
Long-Term Liabilities	1,900,000	2,242,627
Total Liabilities	<u>1,984,769</u>	<u>2,476,234</u>
Deferred Inflows of Resources	5,364	5,252
Total Liabilities and Deferred Inflows of Resources	<u>1,990,133</u>	<u>2,481,486</u>
Net Position:		
Net Investment in Capital Assets	1,550,163	1,060,324
Unrestricted	774,127	966,759
Total Net Position	<u>\$ 2,324,290</u>	<u>\$ 2,027,083</u>

Approximately 67% of the District's net position reflects its net investment in capital assets (improvements, and equipment) net of any outstanding related debt used to acquire those capital assets. These capital assets are used to provide services to citizens and do not represent resources available for future spending.

Approximately 33% of the District's net assets are unrestricted and may be used to meet the District's ongoing obligations to its citizens.

Capital Assets increased by \$298,040 mostly due to the completion of the new gymnasium.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana
Management's Discussion and Analysis
December 31, 2017**

Governmental Activities

In order to further understand what makes up the change in net position, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table.

**Statement of Activities
For the Years Ended December 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
Program Revenues:		
Charges for Services	\$ 162,257	\$ 158,065
General Revenues:		
Ad Valorem Taxes	585,026	604,542
Revenue Sharing	27,159	12,632
Interest Income	495	1,811
Other Income	10,119	13,589
Total Revenues	<u>785,056</u>	<u>790,639</u>
Expenses:		
Recreation Expenditures	487,849	391,435
Total Expenses	<u>487,849</u>	<u>391,435</u>
Change in Net Position	<u>297,207</u>	<u>399,204</u>
Net Position, Beginning	<u>2,027,083</u>	<u>1,627,879</u>
Net Position, Ending	<u>\$ 2,324,290</u>	<u>\$ 2,027,083</u>

Charges for services include registration fees for baseball, basketball, football, soccer and cheer. They also include concessions and entrance fees.

Recreation expenses increased by \$96,414 mostly due to an increase in salaries of \$18,745, increase in utilities of \$24,363 and an increase in debt service payments of \$10,711.

Fund Financial Analysis

As of the end of the current fiscal year, the District's General Fund reported an ending fund balance of \$756,146. This represents a decrease of \$330,693 from the prior year balance.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana
Management's Discussion and Analysis
December 31, 2017

General Fund Budgetary Highlights

Significant variations between original and final budget amounts are as follows:

- Payroll was amended from \$163,000 to \$151,000.
- Significant variations from the general fund's final budget amounts and actual amounts are as follows:
 - Total capital outlay had an unfavorable variance of \$503,998. The District was not aware that the bond proceeds money for the gymnasium needed to be included in the budget since they were put into a construction account. This caused the District to be in violation of the Local Government Budget Act.

Capital Assets and Debt Administration

Capital Assets

The District's capital assets for its governmental activities as of December 31, 2017 was \$3,450,153. The total increase in the District's capital assets for the current fiscal year was \$298,040 due primarily to the completion of the gymnasium.

Additional information on the District's capital assets can be found in *Footnote 6 Capital Assets*.

Debt Administration

At year-end, the District had \$585,000 in Limited Tax Certificates, Series 2012 \$700,000 in Limited Tax Certificates, Series 2013 bonds and \$615,000 in Limited Tax Certificates, Series 2015.

Condensed Statement of Long-Term Debt

<u>Governmental Activities</u>	
Limited Tax Certificates, Series 2012	\$ 585,000
Limited Tax Certificates, Series 2013	700,000
Limited Tax Certificates, Series 2015	615,000
	<u>\$ 1,900,000</u>

The current portion of the debt listed above is \$315,000.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana
Management's Discussion and Analysis
December 31, 2017**

Future Economic Plans

The District will be developing T-Ball fields next to the gymnasium, a walking track, and a dog park. The District plans on applying for wetlands mitigation from the Army Corps of Engineers for further development of the acreage next to the gymnasium that was purchased several years ago so that the District can also develop soccer fields.

Contacting the District's Financial Management

Questions regarding this report or requests for additional information should be addressed to Mike Lopez, President, St. Tammany Parish Recreation District No. 11, P.O. Box 443, Abita Springs, LA 70420.

Basic Financial Statements
Government-Wide Financial Statements

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Statement A

**Statement of Net Position
December 31, 2017**

	<u>Governmental Activities</u>
Assets	
Cash and Cash Equivalents	\$ 213,506
Ad Valorem Tax Receivable, Net	602,122
Prepaid Insurance	8,137
Utility Deposit	150
Restricted Cash	10
Land	622,390
Capital Assets, Net of Depreciation	<u>2,827,763</u>
Total Assets	<u>4,274,078</u>
 Deferred Outflows of Resources	
Pension Related	<u>40,345</u>
Total Deferred Outflows of Resources	<u>40,345</u>
Total Assets and Deferred Outflows of Resources	<u>4,314,423</u>
 Liabilities	
Accounts Payable	11,730
Accrued Salaries	4,932
Accrued Interest	11,685
Payroll Liabilities	6,299
Pension Payable	19,727
Noncurrent Liabilities:	
Net Pension Liability	30,396
Due Within One Year	315,000
Due in More Than One Year	<u>1,585,000</u>
Total Liabilities	<u>1,984,769</u>
 Deferred Inflows of Resources	
Pension Related	<u>5,364</u>
Total Deferred Inflows of Resources	<u>5,364</u>
 Net Position	
Net Investment in Capital Assets	1,550,163
Unrestricted	<u>774,127</u>
Total Net Position	<u>\$ 2,324,290</u>

The notes to the financial statements are an integral part of this statement.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Statement B

**Statement of Activities
December 31, 2017**

Functions/Programs	Expenses
Governmental Activities:	
Recreation Expenses	\$ 451,897
Interest on Long-Term Debt	35,952
Total Governmental Activities	487,849
 Program Revenues	
Charges for Services	162,257
General Revenues	
Property Taxes	585,026
Revenue Sharing	27,159
Interest Income	495
Other	10,119
Total Revenues	785,056
 Change in Net Position	297,207
 Net Position, Beginning	2,027,083
Net Position, Ending	\$ 2,324,290

The notes to the financial statements are an integral part of this statement.

Basic Financial Statements
Governmental Fund Financial Statements

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Statement C

**Balance Sheet
Governmental Fund
December 31, 2017**

	<u>General Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 213,506
Ad Valorem Tax Receivable, Net	602,122
Prepaid Insurance	8,137
Utility Deposit	150
Total Current Assets	<u>823,915</u>
Noncurrent Assets:	
Restricted Cash	10
Total Noncurrent Assets	<u>10</u>
Total Assets	<u>\$ 823,925</u>
 Liabilities and Fund Balance	
Current Liabilities:	
Accounts Payable	\$ 11,730
Accrued Salary	4,932
Payroll Liabilities	6,299
Pension Payable	19,727
Total Current Liabilities/Total Liabilities	<u>42,688</u>
 Deferred Inflow of Resources	
Unavailable Ad Valorem taxes	25,091
Total Deferred Inflow of Resources	<u>25,091</u>
 Fund Balance	
Nonspendable, Prepaid Insurance	8,137
Restricted for Debt Service	10
Unassigned Fund Balance	747,999
Total Fund Balance	<u>756,146</u>
Total Liabilities/Deferred Inflows and Fund Balance	<u>\$ 823,925</u>

The notes to the financial statements are an integral part of this statement.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Statement D

Reconciliation of the Governmental Fund Balance Sheet to
the Government-Wide Statement of Net Position
December 31, 2017

Fund Balances, Governmental Funds, Statement C \$ 756,146

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. These assets consist of:

Land	622,390
Capital Assets, Net of Depreciation	2,827,763

Deferred inflows of resources - unavailable ad valorem taxes are not reported on government-wide financial statements.	25,091
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Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Limited Tax Certificates, Series 2012	(585,000)
Limited Tax Certificates, Series 2013	(700,000)
Limited Tax Certificates, Series 2015	(615,000)
Accrued Interest Payable	(11,685)
Net Pension Liability	(30,396)
Deferred Outflow of Resources	40,345
Deferred Inflow of Resources	(5,364)

Net Position, Governmental Activities, Statement A \$ 2,324,290

The notes to the financial statements are an integral part of this statement.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Statement E

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2017**

	General Fund
Revenues	
Property Taxes	\$ 559,935
Revenue Sharing	27,159
Interest Income	495
Park Revenue	162,257
Gym Rental	970
Other	8,059
Total Revenues	758,875
 Expenditures	
Accounting	15,756
Advertising	62
Assessor	707
Automobile	1,261
Baseball & Softball	36,639
Basketball	8,873
Cheerleader	2,443
Concession	26,492
Employee Benefit - Health	2,262
Facilities Maintenance	12,431
Field Maintenance	9,717
Football	6,584
Insurance	41,304
Miscellaneous	4,604
Office Supplies	6,139
Payroll	137,298
Pension, Sheriff's	19,726
Postage	175
Professional	750
Retirement	10,362
Soccer	12,431
Utilities	38,047
Volleyball	2,346
Website	502

The notes to the financial statements are an integral part of this statement.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Statement E

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2017**

	General Fund
Capital Outlay:	
Equipment	\$ 162,024
Gymnasium	182,892
 Debt Service:	
Retirement of Principal	310,000
Interest	37,741
Total Expenditures	1,089,568
 Net Change in Fund Balance	(330,693)
 Fund Balance, Beginning	1,086,839
Fund Balance, Ending	\$ 756,146

The notes to the financial statements are an integral part of this statement.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Statement F

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities**

For the Year Ended December 31, 2017

Net Change in Fund Balance, Governmental Funds, Statement E **\$ (330,693)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. These differences consist of:

Capital Outlay	344,916
Depreciation Expense	(46,876)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:

Change in Unavailable Ad Valorem Taxes	25,091
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Accrued interest expense on long-term debt is reported in the government-wide statements of activities and changes in net position, but does not require the use of current financial resources; therefore, accrued interest is not reported as expenditures in government funds.

Change in Accrued Interest Payable	1,789
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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Repayment of Bond Principal	310,000
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Non-employer contributions to cost-sharing plan	1,090
Change in Pension Expense per GASB 68	(8,110)

Change in Net Position, Governmental Activities, Statement B **\$ 297,207**

The notes to the financial statements are an integral part of this statement.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

Introduction

St. Tammany Parish Recreation District No. 11 was created by ordinance of the St. Tammany Parish Council for the purpose of acquiring, maintaining, and operating recreation facilities and equipment within the District. The District operates under the direction of a five-member board appointed by the St. Tammany Parish Council.

Governmental Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB 39, "Determining Whether Certain Organizations Are Component Units", established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the St. Tammany Parish Recreation District No. 11 is considered a component unit of the St. Tammany Parish Council. As a component unit, the accompanying financial statements are included within the reporting of the primary government, either blended into those financial statements or separately reported as discrete component units.

1. Summary of Significant Accounting Policies

A. Government-Wide and Fund Financial Statements

The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the St. Tammany Parish Recreation District No. 11.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

position and related disclosures. The statement of net position includes assets, deferred outflows of resources, liabilities and deferred inflows of resources.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Ad Valorem taxes collected 60 days after year end are recorded as a deferred inflow of resources on the government fund balance sheet. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following governmental fund:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

Amounts reported as program revenues include registration fees for baseball, basketball, football, soccer, cheer, concessions and entrance fees. Likewise, general revenues include all taxes, revenue sharing and interest income.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. State law allows the District to invest in collateralized certificates of deposit, government-backed securities, commercial paper, the state-sponsored investment pool and mutual funds consisting solely of government-backed securities. The District has not formally adopted deposit and investment policies that limit the government's allowable deposits or investments and address the specific types of risk to which the government is exposed.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

D. Inventories

The District utilizes the “purchase method” of accounting for supplies in governmental funds whereby expendable operating supplies are recognized as expenditures when purchased. The District did not record any inventory at December 31, 2017, since the amount is not material.

E. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The District recorded prepaid insurance at December 31, 2017.

F. Capital Assets

Capital assets represent the cumulative amount of capital assets owned by the District. Purchased assets are recorded as expenditures in the fund financial statements and are capitalized at cost on the government-wide statement of net position. In the case of gifts or contributions, such assets are recorded at fair market value at the time received.

The District has not adopted a formal capitalization policy. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All capitals assets, other than land, are depreciated using the straight-line method over the following useful lives:

Buildings and Improvements	15 - 20 Years
Equipment	3 - 10 Years

G. Compensated Absences

The District has not established a policy concerning vacation and sick leave.

H. Long-Term Debt

In the fund-level financial statements, governmental funds report the face amount of debt issued, as well as any premiums (discounts) as other financing sources (uses). In the government-wide financial statements, long-term debt is reported as liabilities in the statement of net position. Debt issuance costs are expended in the governmental funds and government-wide financial statements.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

With the implementation of GASB 65, *Items Previously Reported as Assets and Liabilities*, bond issuance costs are now expended in the period incurred.

I. Fund Equity

In the governmental fund financial statements, fund balances are classified as follows:

1. Non-spendable fund balance – amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted fund balance – amounts that can be spent only for specific purposes because of the Constitution of the State of Louisiana, other state and federal laws, or externally imposed conditions by grantors, creditors, or voter approved propositions.
3. Committed fund balance – amounts that can be used only for specific purposes determined by a formal action by the District.
4. Assigned fund balance – amounts that are constrained by the District’s intent that they will be used for specific purposes.
5. Unassigned fund balance – all other amounts not included elsewhere.

The District considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available. The District also considers committed fund balances to be spent first when other unrestricted fund balance classifications are available for use.

J. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events within the control of the District, which are either unusual in nature or infrequent in occurrence.

K. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amount 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 reported period. Actual results could differ from those estimates.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

L. Reconciliation of Government-Wide and Fund Financial Statements

Explanations of certain differences between the governmental fund balance sheet and the government-wide statement of net position is presented in Statement D of the basic financial statements. Explanations of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities is presented in Statement F of the basic financial statements.

M. Pension Plans

The St. Tammany Parish Recreation District No. 11 participates in the Parochial Employees' Retirement System of Louisiana.

2. Stewardship, Compliance and Accountability

Budgetary procedures applicable to the District are defined in state law, Louisiana Revised Statutes 39:1301-14. The major requirements of the Local Government Budget Act are summarized as follows:

1. The District must adopt a budget each year for the general fund and each special revenue fund, if applicable.
2. The chairman must prepare a proposed budget and submit the proposed budget to the Board of Commissioners for consideration no later than fifteen days prior to the beginning of each fiscal year. At the same time, if total proposed expenditures are \$500,000 or more, a notice of public hearing on the proposed budget must be published in the official journal in each parish in which the District has jurisdiction.
3. All action necessary to adopt and implement the budget must be completed prior to the beginning of the fiscal year. The budget was adopted on December 6, 2016.
4. Budgetary amendments involving the transfer of funds from one program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Commissioners. The budget was amended on December 28, 2017.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

5. The District uses the modified cash basis of accounting to report actual inflows and outflows. The reconciliation below shows how the modified cash basis differs from GAAP.

Net Change in Fund Balance (Schedule E)	\$ (330,693)
Add: Prior Year Receivables, Net	605,073
Current Year Payables	24,295
Current Year Deferred Inflow of Resources	25,091
Less: Current Year Receivables, Net	(603,259)
Prior Year Payables	(203,921)
Net Change in Fund Balance (Schedule 1)	\$ <u>(483,414)</u>

The general fund's actual expenditures exceeded the budgeted expenditures by \$507,381. The District is in violation of the Local Government Budget Act.

3. Cash and Cash Equivalents

At December 31, 2017, the District had cash and cash equivalents (book balances) totaling \$213,516 as follows:

Demand Deposits	\$ <u>213,516</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2017, the District had \$222,394 in demand deposits (collected bank balances). All bank balances of the District are fully insured or collateralized.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

4. Receivables

The receivables of \$602,122 at December 31, 2017, are as follows:

Class of Receivable	General Fund
Ad Valorem Tax Receivable	\$ 620,122
Allowance for Uncollectible	(18,000)
Ad Valorem Tax Receivable, Net	\$ 602,122

5. Levied Taxes

The following is a summary of authorized and levied ad valorem taxes:

	Authorized	Levied
General Fund	9.79	9.79

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District during the year and are billed to taxpayers and become due in November. Billed taxes become delinquent on December 31st of each year. Revenues from ad valorem taxes are budgeted in the year billed and are recognized as revenue when billed. The St. Tammany Parish Sheriff's Office bills and collects the property taxes using the assessed value determined by the St. Tammany Parish Assessor. The taxes are generally collected in December of the current year and January and February of the ensuing year. For 2017, the District levied 9.79 mills for a total tax levy of \$873,060. The amount exempt under Homestead exemption was \$252,939. The balance due Recreation District No. 11 is \$620,122. An allowance for uncollectible property taxes was recorded in the amount of \$18,000.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

6. Capital Assets

A summary of changes in capital assets follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land and Improvements	\$ 620,890	\$ 1,500	\$ -	\$ 622,390
Construction in Progress	<u>2,258,787</u>	<u>-</u>	<u>(2,258,787)</u>	<u>-</u>
Total Capital Assets Not Being Depreciated	<u>2,879,677</u>	<u>1,500</u>	<u>(2,258,787)</u>	<u>622,390</u>
Other Capital Assets:				
Buildings & Improvements	377,741	2,540,954	-	2,918,695
Equipment	<u>103,205</u>	<u>61,249</u>	<u>(31,925)</u>	<u>132,529</u>
Total Capital Assets	<u>480,946</u>	<u>2,602,203</u>	<u>(31,925)</u>	<u>3,051,224</u>
Less Accumulated Depreciation:				
Buildings & Improvements	(133,725)	(24,399)	-	(158,124)
Equipment	<u>(74,785)</u>	<u>(22,477)</u>	<u>31,925</u>	<u>(65,337)</u>
Total Accumulated Depreciation	<u>(208,510)</u>	<u>(46,876)</u>	<u>31,925</u>	<u>(223,461)</u>
Other Capital Assets, Net	<u>272,436</u>	<u>2,555,327</u>	<u>-</u>	<u>2,827,763</u>
Governmental Activities Capital, Net	<u>\$ 3,152,113</u>	<u>\$ 2,556,827</u>	<u>\$ (2,258,787)</u>	<u>\$ 3,450,153</u>

Depreciation was charged to governmental functions as follows:

Recreation Expenditures	\$ <u>46,876</u>
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**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

7. Long-Term Debt

At December 31, 2017, bonds payable consisted of the following individual issues:

	Interest Rate %	Issue Date	Maturity Date	Outstanding
Limited Tax Certificates, Series 2012	2.18	8/30/2012	3/1/2022	\$ 585,000
Limited Tax Certificates, Series 2013	1.0 - 1.75	3/20/2013	3/1/2023	700,000
Limited Tax Certificates, Series 2015	1.5 - 1.825	9/25/2015	3/1/2023	615,000
				<u>\$ 1,900,000</u>

Transactions for the year ended December 31, 2017 are summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Limited Tax Certificates, Series 2012	695,000	-	110,000	585,000	110,000
Limited Tax Certificates, Series 2013	805,000	-	105,000	700,000	110,000
Limited Tax Certificates, Series 2015	710,000	-	95,000	615,000	95,000
	<u>\$ 2,210,000</u>	<u>\$ -</u>	<u>\$ 310,000</u>	<u>\$ 1,900,000</u>	<u>\$ 315,000</u>

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

The annual aggregate maturities for the years subsequent to December 31, 2017, are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 315,000	\$ 32,273	\$ 347,273
2019	325,000	26,515	351,515
2020	330,000	20,490	350,490
2021	345,000	14,174	359,174
2022	350,000	6,459	356,459
2023	235,000	2,098	237,098
Total	<u>\$ 1,900,000</u>	<u>\$ 102,009</u>	<u>\$ 2,002,009</u>

8. Leases

On February 18, 2017 the District entered in to an operating lease with Leaf Capital Funding, LLC for a Savin MPC 307 SPF copier system. The term of the lease is for 60 months for \$119 a month and the District has the option to purchase the copier at the end of the lease at fair market value. The payment schedule for the years subsequent to December 31, 2017 are as follows:

<u>Year Ending December 31</u>	
2018	\$ 1,428
2019	1,428
2020	1,428
2021	1,428
2022	238
Total	<u>\$ 5,950</u>

9. Compensated Absences

The District does not have employees that accumulate or vest benefits.

10. Compensation of Board Members Commissioners

The St. Tammany Parish Recreation District No. 11 paid no compensation to its board members as of and for the year ended December 31, 2017.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

11. Concentrations

Property taxes totaling \$599,798 accounted for 75% of the District's total revenue of \$798,738. Revenues generated by park activities such as registration fees, concessions and entrance fees totaling \$162,257 accounted for 21% of the total revenue.

12. Judgements, Claims, and Similar Contingencies

St. Tammany Parish Recreation District No. 11 is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District attempts to minimize risk from significant losses through the purchase of commercial insurance.

The District is party to routine claims and legal proceedings arising in the ordinary course of business. All such claims are covered by insurance and, in the opinion of management, the outcome of such actions will have no material impact on the financial condition or results of operations for the Council.

13. Pension Plan

Employees participate in the Parochial Employees' Retirement System of Louisiana. This system is a public defined benefit pension plan which provides retirement allowances and other benefits, operating pursuant to LSA-R.S. 11:1901 through 2025. The retirement system has the powers and privileges of a corporation.

Plan Description. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Plan A was designed for employers out of Social Security. Plan B was designed for those employers that remained in Social Security.

The employees participate in Plan A.

Plan A Benefits.

A. Normal Retirement Benefits - The retirement allowance is equal to three percent of the member's final average compensation multiplied by his years of creditable service. Final average compensation shall be defined as the average of the highest consecutive 36 month salary for members hire prior to 1/1/07. For members hired 1/1/07 and later, final average compensation shall be defined as the average of the highest consecutive 60 months salary.

Eligibility Provisions for Active Members Hired 1/1/07 and Later are as follows:

- 7 years of service, age 67
- 10 years of service, age 62

St. Tammany Parish Recreation District No. 11
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Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

• 30 years of service, age 55

Membership. All permanent employees working at least 28 hours per week shall become members on the date of employment.

Effective July 1, 1997, new employees age 55 and older and who have 40 quarters or more of Social Security participation have an option to join the Parochial System. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate. When a decision is made, an election form must be completed and sent to the retirement system office. If the employee elects to join the system, the standard Personal History form should be completed as well. If the employee begins work before the election is made, the employee should be enrolled in Social Security or in a deferred compensation plan until the retirement determination is made.

Vesting. Seven years of service credit is required to be eligible for a normal retirement benefit at age 65 if the member was an active member of either plan on December 31, 2006. For employees hired after 1/1/07 and later, vesting occurs with seven years of service credit; however, those members must attain age 67 before becoming eligible for normal retirement. Eligibility to actually begin receiving benefits is a function of fulfilling the eligibility provisions of age and service.

Funding Policy. The system is funded primarily by employer and employee contributions which are expressed as percentages of payroll. The amount of employee contributions is fixed by law. Currently, the Plan A employee rate is 9.5% and the Plan B employee rate is 3.0%. Employer contributions are actuarially determined every fiscal year according to statutory process. Written notice of these rates is provided to employers annually. In 2017, the employer rates were 12.5% for Plan A and 8.00% for Plan B.

The St. Tammany Recreation District No. 11 contributions to the System under Plan A for the years ending December 31, 2017, 2016 and 2015 were \$10,300, \$11,720 and \$10,760 respectfully equal to the required contributions.

A statement of accumulated member contributions is provided to all members with a balance following the close of each plan year.

Requests for further information should be directed to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, the District reported a liability of \$30,396 for its proportionate share of the net pension liability of the System. The net pension liability measured as of December 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

that date. The District's portion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contribution of all participating, actuarially determined. At December 31, 2016, the District's proportion was 0.0148%, which was a decrease of 0.1685% from the proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the District recognized pension expense of \$18,472 representing its proportionate share of the System's net expense, including amortization of deferred amounts.

At December 31, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to the pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	\$		\$ 5,319
Changes of Assumptions		5,771	-
Net difference between projected and actual earnings on pension plan investments		23,589	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions		(315)	45
Employer contributions subsequent to the measurement date		11,300	-
Total	\$	40,345	\$ 5,364

The District reported a total of \$11,300 as deferred outflow of resources related to pension contributions made subsequent to the measurement period of December 31, 2016 which will be recognized as a reduction in net pension liability in the year ended December 31, 2018.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Notes to the Financial Statements
As of and for the Year Ended December 31, 2017

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year</u>		
2017	\$	9,288
2018		9,853
2019		6,414
2020		<u>(565)</u>
	\$	<u>24,990</u>

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2015 is as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Plan A - Entry Age Normal Plan B - Entry Age Normal
Investment Rate of Return	7.00% (Net of investment expense)
Expected Remaining Service lives	4 years
Projected Salary Increases	Plan A – 5.25% (2.75% Merit/2.50% Inflation) Plan B – 5.25% (2.75% Merit/2.50% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.

The long-term expected real rate of return on pension plan investments was determined using a triangular method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

class. These rates are combined to produce the long-term expected rate of return by weighting the expected future rate of real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of re-balancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed Income	35%	1.24%
Equity	52%	3.63%
Alternatives	11%	0.67%
Real Assets	2%	0.12%
Totals	100%	5.66%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.66%

Mortality Rate

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Mortality Sex Distinct Tables (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, the RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, the RP-2000 Employee Sex Distinct Tables set back 4 years for males and 3 years for females used.

Discount Rate

The discount rate used to measure the total pension liability was 7.00% for Plan A and 7.00% for Plan B. The projection of cash flows used to determine the discount rate assumed that contributions for plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Notes to the Financial Statements
As of and for the Year Ended December 31, 2017**

position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the District calculated using the discount rate of 7.00%, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is one percentage point lower 6.00% or one percentage point higher 8.00% that the current rate.

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
PERSLA			
Rates of St. Tammany			
Parish Recreation District No. 11 of NPL	\$ 90,928	\$ 30,396	\$ (20,785)

14. Subsequent Events

Subsequent events have been evaluated by management through May 1, 2018, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending December 31, 2017.

Required Supplemental Information (Part II)

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Schedule 1

Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Modified Cash Basis) and Actual
For the Year Ended December 31, 2017

Revenues	<u>Budgeted Amounts</u>		<u>Actual</u> Amounts	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Favorable (Unfavorable)
Property Taxes	\$ 555,000	\$ 557,796	\$ 570,026	\$ 12,230
Revenue Sharing	22,000	25,000	27,159	2,159
Interest Income	1,200	450	495	45
Park Revenue	165,800	160,829	162,257	1,428
Gym Rental	-	925	970	45
Other	1,000	-	8,059	8,059
Total Revenues	<u>745,000</u>	<u>745,000</u>	<u>768,966</u>	<u>23,966</u>
 Expenditures				
Accounting	16,000	15,800	15,756	44
Advertising	1,000	100	62	38
Assessor	450	700	707	(7)
Automobile	1,200	1,000	1,261	(261)
Baseball & Softball	27,000	34,000	36,639	(2,639)
Basketball	14,000	13,000	8,873	4,127
Cheerleader	1,500	2,300	2,443	(143)
Concession	22,000	25,874	26,492	(618)
Employee Benefit - Health	-	2,300	2,262	38
Facilities Maintenance	8,000	12,813	12,431	382
Field Maintenance	6,000	8,800	9,717	(917)
Football	7,000	7,500	6,584	916
Insurance	40,000	43,760	43,760	-
Miscellaneous	2,000	4,361	4,604	(243)
Office Supplies	6,000	5,750	6,139	(389)
Payroll	163,000	151,800	137,298	14,502
Postage	200	200	175	25
Professional	-	-	750	(750)
Retirement	-	-	10,362	(10,362)
Soccer	12,000	11,000	12,431	(1,431)
Utilities	22,900	33,000	38,047	(5,047)
Volleyball	-	1,700	2,346	(646)
Website	4,000	500	502	(2)

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Schedule 1

**Schedule of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Modified Cash Basis) and Actual
For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Capital Outlay:				
Equipment	\$ 43,008	\$ 21,000	\$ 162,024	\$ (141,024)
Gymnasium	48,000	-	362,974	(362,974)
Debt Service:				
Retirement of Principal	310,000	310,000	310,000	-
Interest	37,742	37,742	37,741	1
Total Expenditures	793,000	745,000	1,252,380	(507,380)
Net Change in Fund Balance	(48,000)	-	(483,414)	(483,414)
Fund Balance, Beginning	898,070	1,090,040	1,090,040	-
Fund Balance, Ending	\$ 2,870,361	\$ 1,090,040	\$ 606,626	\$ (483,414)

See independent auditor's report.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Schedule 2

**Schedule of the District's Proportionate Share of the Net Pension Liability
For the Year Ended December 31, 2017**

Parochial Employees' Retirement System of Louisiana	<u>2015</u>	<u>2016</u>	<u>2017</u>
Employer's Proportion of the Net Pension Liability (Assets)	0.0119%	0.0119%	0.0148%
Employer's Proportionate Share of the Net Pension Liability (Assets)	3,249	32,627	30,396
Employer's Covered-Employee Payroll	74,207	87,527	79,984
Employer's Proportionate Share of the Net Position Liability (Asset) as a Percentage of its Covered-Employee Payroll	4.3783%	37.2765%	38.0026%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	99.15%	92.23%	94.15%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Schedule 3

**Schedule of Contributions – Retirement Plan
For the Year Ended December 31, 2017**

Parochial Employees' Retirement System of Louisiana

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually Required Contribution	\$ 10,760	\$ 11,720	\$ 9,998
Contributions in Relation to Contractually Required Contributions	<u>10,760</u>	<u>11,720</u>	<u>10,300</u>
Contribution Deficiency (Excess)	-	-	(302)
Employer's Covered Employee Payroll	74,207	87,527	79,984
Contributions as a % of Covered Payroll	14.5000%	13.3902%	12.8776%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See independent auditor's report.

Supplemental Information (Part III)

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

Schedule 4

**Schedule of Compensation, Benefits, and
Other Payments to Agency Head
For the Year Ended December 31, 2017**

Agency Head: Lisa Palisi

Purpose	Amount
Salary	\$ 50,369
Health Insurance	2,262
Retirement Benefits	6,560
Travel	114
Reimbursements	27
Total Payments	<u>\$ 59,332</u>

See independent auditor's report.

Other Independent Auditor's Report

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

American Institute of Certified Public Accountants
Society of Louisiana Certified Public Accountants



18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
(985) 386-5740 • FAX (985) 386-5742

29644 SOUTH MONTEPELIER AVE., STE. B
P.O. BOX 520
ALBANY, LA 70711
(225) 209-6627 • FAX (225) 209-6625

Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

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*

Board of Commissioners
St. Tammany Parish Recreation District No. 11
Abita Springs, 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 the governmental activities and the general fund of the St. Tammany Parish Recreation District No. 11, Abita Springs, Louisiana, a component unit of the St. Tammany Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise St. Tammany Parish Recreation District No. 11's basic financial statements and have issued our report thereon dated May 1, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered St. Tammany Parish Recreation District No. 11's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Tammany Parish Recreation District No. 11's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Tammany Parish Recreation District No. 11'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Current Year Audit Findings, Recommendations and Responses that we consider to be material weaknesses. 2017-01 and 2017-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether St. Tammany Parish Recreation District No. 11's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Current Year Audit Findings, Recommendations and Responses. 2017-3 and 2017-4.

St. Tammany Parish Recreation District No. 11 Response to Findings

St. Tammany Parish Recreation District No. 11's response to the findings identified in our audit is described in the accompanying schedule of current year audit findings, recommendations, and responses. St. Tammany Parish Recreation District No. 11's response was 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management and the Office of the Legislative Auditor, State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed to the Legislative Auditor as a public document.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Ponchatoula, Louisiana

May 1, 2018

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Schedule of Current Year Audit Findings, Recommendations and Responses
For the Year Ended December 31, 2017**

We have audited the basic financial statements of the St. Tammany Parish Recreation District No. 11 as of and for the year ended December 31, 2017, and have issued our report thereon dated May 1, 2018. We conducted our audit 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. Our audit of the financial statements as of December 31, 2017 resulted in an unmodified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control
Material Weakness, Yes Significant Deficiencies, No

Compliance
Compliance Material to Financial Statements, Yes

b. Federal Awards

Not Applicable

Was a management letter issued? No

Section II - Financial Statement Findings

Internal Control

2017-1 Accountant Cannot Prepare Financial Statements

Criteria:

The District must prepare the basic financial statements of the St. Tammany Parish Recreation District No. 11 in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Schedule of Current Year Audit Findings, Recommendations and Responses
For the Year Ended December 31, 2017

Condition:

The District's accountant cannot draft the District's financial statements.

Cause:

The St. Tammany Parish Recreation District No. 11's job description for accountant does not require the accountant to have the technical skills to prepare the accompanying financial statements of the governmental activities, and the general fund of the St. Tammany Parish Recreation District No. 11.

Effect:

As part of the audit, the auditor assisted with preparation of the financial statements and related notes.

Recommendation:

We recommend the District review the cost benefit of hiring an accountant with the technical skills to prepare the accompanying financial statements of the governmental activities, and the general fund of the St. Tammany Parish Recreation District No. 11.

Management's Response:

The District board will review the cost benefit of hiring an accountant with the required expertise to prepare the financial statements on an annual basis. Responsible party is Board President Mike Lopez.

2017 - 2 Written Policies and Procedures

Condition:

The District did not have written policies and procedures for its operations.

Criteria:

Formal/written procedures are necessary as a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and ensure the procedures followed meet management's expectations.

Cause:

The District has policies and procedures but not in written form.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Schedule of Current Year Audit Findings, Recommendations and Responses
For the Year Ended December 31, 2017

Effect:

The District did not have written procedures that aid in the continuity of operation and for cross-training of staff.

Recommendation:

We recommend management adopt written policies and procedures for all financial/business functions of the District.

Management's Response:

Management is in the process of adopting a written policies and procedures manual and anticipate having it ready by June 30, 2018. Responsible Party is Board President Mike Lopez.

Compliance

2017-3 Lack of Timely Deposit of Registration Fees

Criteria:

Louisiana Revised Statute 39:1212 states that "all funds of local depositing authorities shall be deposited daily whenever practicable."

Condition:

During our audit and testing of receipts of registration fees for cash collected, we noted that no deposits had been made in a timely matter within one day of receipt. Days between collection and deposit ranged between 2 and 30 days.

Cause:

Management was not aware that they should deposit the registration fees on a daily basis.

Effect:

The District is not in compliance with the statute.

St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

Schedule of Current Year Audit Findings, Recommendations and Responses
For the Year Ended December 31, 2017

Recommendation:

We recommend management to deposit all collections including registration fees within one day of receipt.

Management's Response:

The District will begin to deposit all collections within one business day of receipt. Deposits held for long periods of time were checks being held due to the District not knowing whether there would be enough registrants for a league. Responsible Party is Board President Mike Lopez

2017-4 Local Government Budget Act

Criteria:

The Local Government Budget Act (LSA-RS 39:1301-14) requires a political subdivision to adopt a budget amendment in an open meeting when total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding total budgeted expenditures and other uses by 5% or more.

Condition:

Actual expenditures for the year exceeded budgeted amounts by more than 5%.

Cause:

The District did not account for the remaining capital expenditures for the new gymnasium that was completed in 2017.

Effect:

The District is in violation of the Local Government Budget Act.

Recommendation:

We recommend management to continue to review the budget to actual revenues and expenditures on a monthly basis and amend the budget as necessary in an open meeting.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Schedule of Current Year Audit Findings, Recommendations and Responses
For the Year Ended December 31, 2017**

Management's Response:

Management will take measures to insure the budget is amended according to state law. The District had bond proceeds from the 2013 and 2015 bonds, and committed funds held for construction from prior years. The District was not aware that the expenditures from these accounts needed to be included in the budget for 2017. These Responsible Party is Board President Mike Lopez.

**St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana**

**Schedule of Prior Year Findings
For the Year Ended December 31, 2017**

2016-1 Accountant Cannot Prepare Financial Statements

Condition:

The District's accountant cannot draft the District's financial statements.

Recommendation:

We recommend the District review the cost benefit of hiring an accountant with the technical skills to prepare the accompanying financial statements of the governmental activities, and the general fund of the St. Tammany Parish Recreation District No. 11.

Unresolved, See Finding 2017-1

2016 - 2 Written Policies and Procedures

Condition:

The District did not have written policies and procedures over concession and gate collections.

Recommendation:

We recommend management adopt written policies and procedures for all financial/business functions of the District.

Unresolved, See Finding 2017-2

CHARLES P. HEBERT, CPA

CHRISTOPHER S. JOHNSON, CPA, MBA

MEMBER

American Institute of Certified Public Accountants
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18435 HWY. 22
P.O. BOX 1151
PONCHATOULA, LA 70454
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Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Commissioners
St. Tammany Parish Recreation District No. 11
Abita Springs, Louisiana

We have performed the procedures enumerated below as they are a required part of the engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted.

Management of St. Tammany Parish Recreation District No. 11 is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of St. Tammany Parish Recreation District No. 11 and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the St. Tammany Parish Recreation District No. 11's compliance with certain laws and regulations during the period of January 1, 2017 through December 31, 2017, in accordance with Act 774 of 2014 Regular Legislative Session.

This agreed-upon procedures engagement was performed 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.

Written Policies and Procedures

Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable to public funds:

- 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) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- e) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- f) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- g) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- h) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- i) **Bank Reconciliations**, including (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 6 months.
- j) **Concession and Gate Collections**, including (1) controls to ensure completeness of collections, (2) controls to ensure completeness of recorded concession sale, (3) timely deposit of collections are made by the person who closes the concession, (4) the deposit collections must agree to the sales register printed from the point of sale software, (5) deposits are locked in a bank bag and put in the overnight deposit at the bank, and (6) posting of collections in the accounting records by someone independent of cash collection and deposit duties.
- k) **Sports Registration Receipts**, including receiving, recording, and preparing deposits

Findings: The District does not have written policies and procedures that address each of these items.

Managements Response: Management is in the process of adopting a written policies and procedures manual and anticipate having it ready by June 30, 2018.

Sports Registration Receipts

1. Obtain a listing of cash/check/money order (cash) collection locations for sports registration fees and management's representation that the listing is complete.

Findings: Management provided a complete list of collection locations.

2. **For each sports registration collection location:**

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting sports registration cash is (1) bonded or insured, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Findings: No person responsible for collecting cash is bonded. Employees collecting cash can deposit cash in the bank but cannot record the transaction nor reconcile the bank account. Employees can use the same cash drawer.

Management's Response: The cost associated with bonding outweighs the risk of the minimal dollars that are collected on a daily basis.

While the same employees collecting registration fees may deposit the collections in the bank and use the same drawer, the collections are matched to the registration forms filled out by registrants by management.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source, by a person who is not responsible for cash collections in the cash collection location selected.

Findings: The documentation indicated the District has a formal process to reconcile cash collections which met criteria listed.

- c) Randomly select 2 weeks of cash collections from the general ledger or other accounting records during the fiscal period (during which sports registration fees were collected) and:

- Using entity sports registration collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily sports registration cash collections are completely supported by documentation and report any exceptions.

Findings: The daily cash collections selected were completely supported by documentation. No collections were deposited within one day of receipt. The number of days ranged from 2 to 30 days.

Management's Response: The District will begin to deposit all collections within one business day of receipt. Deposits held for long periods of time were checks being held due to the District not knowing whether there would be enough registrants for a league.

3. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all sports registration collections by a person who is not responsible for collections.

Findings: The District does not have any written policies and procedures.

Management's Response: Management is in the process of adopting a written policies and procedures manual and anticipate having it ready by June 30, 2018.

Phil Hebert

Phil Hebert, CPA
A Professional Accounting Corporation
Ponchatoula, Louisiana

May 1, 2018