

Recreation District No. 3 of Tangipahoa Parish
Amite, Louisiana

Annual Financial Statements

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



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

**RECREATION DISTRICT NO. 3 OF TANGIPAOA PARISH
(A Component Unit of the Tangipahoa Parish Government)**

ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2017

TABLE OF CONTENTS

	Statement	Page
Auditor's Report		2
Basic Financial Statements		
Government-Wide Financial Statements:		
Statement of Net Position	A	6
Statement of Activities	B	7
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	8
Reconciliation of the Governmental Fund Balance Sheet to the Government-Wide Statement of Net Position	D	9
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	E	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Fund to the Statement of Activities	F	11
Notes to the Financial Statements		13
REQUIRED SUPPLEMENTAL INFORMATION (PART II)		
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual - Governmental Fund Type - General Fund		25
Other Supplemental Information		
Schedule of Compensation, Reimbursements, Benefits, and other Payments to Agency Head		27
Schedule of Board Members		28
Other Independent Auditor's Reports and Findings, Recommendations, and Responses		
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 <i>Government Auditing Standards</i>		30
Schedule of Findings and Responses		32
Schedule of Prior Year Findings and Responses		35

Bruce C. Harrell, CPA

Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy W. Garcia, CPA
Elizabeth P. Lafargue, CPA

INTERNET
www.teamcpa.com

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs



BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

Independent Auditor's Report

To the Board Members of the
Recreation District No. 3 of Tangipahoa Parish
Amite, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Recreation District No. 3 of Tangipahoa Parish, (the "District") component unit of the Tangipahoa Parish Government, as of and for the 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.

BRUCE HARRELL & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Accounting Corporation

Page 2

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, each major fund, and the aggregate remaining fund information of Recreation District No. 3 of Tangipahoa Parish, as of December 31, 2017, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 25 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 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.

Management has omitted the management's discussion and analyses that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Recreation District No. 3 of Tangipahoa Parish's basic financial statements. The accompanying schedules listed as Other Supplemental Information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying schedules listed as Other Supplemental Information in the table of contents 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 applied in the audit of the basic financial statements and certain additional 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 accompanying schedules listed as Other Supplemental Information in the table of contents 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 *Governmental Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of the Recreation District No. 3 of Tangipahoa Parish'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 that testing, and not 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 *Governmental Auditing Standards* in considering the Recreation District No. 3 of Tangipahoa Parish's internal control over financial reporting and compliance.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, LA

June 27, 2018

BASIC FINANCIAL STATEMENTS

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Statement A

Statement of Net Position
December 31, 2017

	Governmental Activities
Assets	
Current Assets:	
Cash and Cash Equivalent	\$ 275,871
Restricted Assets:	
Cash and Cash Equivalents	2,248,852
Accounts Receivable, Net	463,130
Capital Assets, Net	771,344
Total Assets	3,759,197
 Deferred Outflow of Resources	
Deferred charge on refunding	642,636
Total Deferred Outflow of Resources	642,636
 Liabilities	
Accounts Payable	612
Accounts Payables - Payable from restricted assets	40,764
Accrued Interest - Payable from restricted assets	41,064
Sheriff's Pension Payable - Payable from restricted assets	17,495
Long - Term Debt - Current	81,474
Long - Term Debt - Non Current	3,931,655
Total Liabilities	4,113,064
 Net Position	
Invested in Capital Assets, Net of related debt	777
Restricted for Debt Service and Capital Projects	12,733
Unrestricted	275,259
Total Net Position	\$ 288,769

The accompanying notes are an integral part of this statement.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Statement B

STATEMENT OF ACTIVITIES
For the year ended December 31, 2017

Governmental Activities

Expenses

Parks and Recreation services:	
Salaries	\$ 12,000
Payroll Taxes	1,055
Auditing	3,000
Accounting	14,593
Legal	6,577
Insurance	682
Miscellaneous	197
Office Expense	228
Official Statement Printing	1,496
Per Diem- Board	1,050
Pension Fund Mandate	17,495
Bond Issuance Costs	48,597
Interest Expense	139,659
Depreciation Expense	56
Total Expense	<u>246,685</u>

Program Revenue

Parks and Recreation services:	
Fees, Fine, and Other Charges for Service	<u>-</u>
Total Program Revenues	<u>-</u>
Net Program (Expense)	<u>(246,687)</u>

General Revenues

Ad Valorem Taxes	464,209
State Revenue Sharing	19,674
Interest Earnings	<u>14,761</u>
Total General Revenues	<u>498,644</u>
Change in Net Position	251,959

Net Position - Beginning of year	<u>36,810</u>
---	---------------

Net Position - End of year	<u><u>\$ 288,769</u></u>
-----------------------------------	--------------------------

The accompanying notes are an integral part of this statement.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Statement C

Balance Sheet
Governmental Fund
December 31, 2017

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 275,871
Accounts Receivable, Net	463,130
Restricted Cash and Cash Equivalents	<u>2,248,852</u>
Total Assets	<u>\$ 2,987,853</u>
Liabilities	
Accounts Payable	\$ 41,376
Pension Fund Mandate Payable	<u>17,495</u>
Total Liabilities	<u>58,871</u>
Fund Balance	
Restricted For Debt Service and Capital Projects	2,653,723
Unassigned	<u>275,259</u>
Total Fund Balances	<u>2,928,982</u>
Total Liabilities and Fund Balances	<u>\$ 2,987,853</u>

The accompanying notes are an integral part of this statement.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Statement D

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

Total Fund Balance, Governmental Fund(Statement C) \$ 2,928,982

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 funds. These assets consist of:

Governmental capital assets, net of depreciation 771,344

Deferred outflows of resources are not available to pay for current-period expenditures and, therefore are not reported in the funds statements. 642,636

Some liabilities are not due and payable from current resources therefore, are not reported in the governmental funds:

Accrued Interest (41,064)

Limited Tax Revenue and Refunding Bonds payable (3,970,000)

Premium on Bonds payable (43,129)

Net Position of Governmental Activities(Statement A) \$ 288,769

The accompanying notes are an integral part of this statement.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Statement E

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

	<u>General Fund</u>
Revenues	
Ad Valorem Taxes	\$ 464,209
State Revenue Sharing	19,674
Interest Income	14,761
Total Revenues	<u>498,644</u>
Expenditures	
Parks and Recreations:	
Salaries	12,000
Payroll Taxes	1,055
Auditing	3,000
Accounting	14,593
Legal	6,577
Insurance	682
Miscellaneous	197
Office Expense	228
Official Statement Printing	1,496
Per Diem- Board	1,050
Pension Fund Mandate	17,495
Bond Issuance Costs	48,597
Debt Service-Interest	83,223
Debt Service - Bonds Refunded Payment	10,107,266
Capital Outlay	697,372
Total Expenditures	<u>10,994,831</u>
(Deficiency) of Revenues over Expenditures	<u>(10,496,187)</u>
Other Financing Sources (Uses)	
Refunding Bonds Issued	3,970,000
Premium refunding bonds issued	44,235
Payment to refunded bond escrow agent	(1,096,408)
Total Other Financing Sources (Uses)	<u>2,917,827</u>
Net Change in Fund Balance	(7,578,360)
Fund Balance - Beginning of the Year	<u>10,507,342</u>
Fund Balance - End of the Year	<u>\$ 2,928,982</u>

The accompanying notes are an integral part of this statement.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Statement F

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

For the Year Ended December 31, 2017

Net Change in Fund Balance - Total Governmental Funds(Statement E) **\$ (7,578,360)**

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 those assets is allocated over their estimated useful lives and reported as depreciation expense. These differences consist of:

Capital outlay	697,316
----------------	---------

The issuance of long-term debt provides current financial resources to the governmental funds, but issuing debt increases long term liabilities in the statement of net position. Repayment of the principal of long term debt consumes the current financial resources of the governmental fund, but the repayment reduces long term liabilities in the statement on net position. Neither transaction, however, has any effect on net position.

Repayment of bond principal (Refunding of bonds)	10,107,266
Refunding bonds issued	(3,970,000)
Premium refunding bonds	(44,235)
Payment to refunded bonds escrow agent	<u>1,096,408</u>
	<u>7,189,439</u>

Interest expenses differs from the amount reported in governmental funds as follows:

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(41,064)
---	----------

Deferred outflow of resources related to the advance refunding of debt is being amortized (and recorded to interest expense).	(16,478)
---	----------

Bond premiums are being amortized (and recorded to interest expense).	<u>1,106</u>
---	--------------

Change in Net Position of Governmental Activities(Statement B) **\$ 251,959**

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2017

Recreation District No. 3 of Tangipahoa Parish (District), was created by ordinance of the Tangipahoa Parish Council on June 9, 1997, "...as a recreation district to consist of territorial lands and property, both real and personal, in the parish, under and by virtue of the authority conferred by chapter 11, Title 33 of the Louisiana Revised Statutes of 1950 and other constitutional and statutory authority supplemental thereto, a Recreation District's hereby created within the Parish of Tangipahoa Parish, State of Louisiana."

The District contains within its limits one municipality, the Town of Amite City. The governing body of this municipality has given consent to the inclusion of such municipality in the District. The District shall be and is a political subdivision of the State of Louisiana, within the meaning of the constitution and statutes of the State relating to incurring debt and issuing bonds therefore.

The objectives and purposes of the District are to own and operate playgrounds and other facilities and to engage in activities that would promote recreation and any related activity designed to encourage recreation and promote the general health and well-being of youths and all of the goals and purposes as authorized by law. Major revenues for the District include ad valorem taxes and state revenue sharing. Major expenditures of the District include capital outlay and debt service.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accounting and reporting policies of the District conform to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to LRS 24:513 and to the guidance set forth in the Louisiana *Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

This financial report has been prepared in conformity with GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999. Management has elected to not present the Management's Discussion and Analysis.

B. Financial Reporting Entity

All board members of the District are appointed by the Tangipahoa Parish Government. As the governing authority of the parish, for reporting purposes, the Tangipahoa Parish Government is the financial reporting entity for Tangipahoa Parish. The financial reporting entity consists of (a) primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Because the board members of the District are appointed by the Tangipahoa Parish Government, the District was determined to be a component unit of the Tangipahoa Parish Government, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish government, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

C. Fund Accounting

The District uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - continued

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

Governmental Funds

Governmental funds account for all of the District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets, deferred outflows of resources, liabilities, and deferred inflow of resources is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations of the District. The District's only fund, the general fund, is classified as a governmental type activity.

D. Measurement Focus / Basis of Accounting

Basic Financial Statements - Government- Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. These statements include all the non-fiduciary activities of the District. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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. 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 and (2) grant and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, interest earnings, and other revenues not properly included among program revenues are reported instead as general revenues. The District does not allocate indirect expenses.

The District implemented GASB Statement No. 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 position and related disclosures.

GASB Statement No. 63, *Financial Reporting of Deferred Outflow of Resources, Deferred Inflows of Resources, and Net Position*, effective for financial statement periods ending after December 15, 2012, provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined *Deferred Outflows of Resources* as a consumption of net position by the government that is applicable to a future reporting period, and *Deferred Inflows of Resources* as an acquisition of net position by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. GASB Concepts Statement 4 identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The definition and reporting of net position is further described in *Note 1K - Net Position*.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - continued

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

The District had deferred outflows of resources at December 31, 2017, in the amount of \$642,636 related to the advance refunding of debt in 2017 (See Note 1J and Note for 6 for further discussion on the refunding).

Basic Financial Statements - Governmental Funds

The amounts reflected in the General Fund, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the District's operations.

The amounts reflected in the General Fund, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues - Property taxes, state revenue sharing, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Reconciliation - Explanation of 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. Explanation of differences between the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities is presented in Statement F of the basic financial statements.

E. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, interest bearing demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

In accordance with state law, the District limits investments to those allowed under R.S. 33:2955. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. The District had no investments at December 31, 2017.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - continued

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

F. Receivables

Receivables are shown net of an allowance for uncollectibles. Uncollectible amounts for property taxes are a reduction to the allowance accounts.

G. Restricted Assets

Certain resources of the District are set aside for the construction of the park and debt service and are classified as restricted assets because their use is limited per the bond covenants.

H. Inventory

The District utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The District had no inventory at December 31, 2017.

I. Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$500 or more for capitalizing capital assets.

Capital assets are recorded in the Statement of Net Position and Statement of Activities. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful life years:

<u>Asset Class</u>	<u>Life Years</u>
Roads and Bridges	20
Building and Building Improvements	40
Equipment	3 - 10
Furniture and Fixtures	3 - 12
Motor Vehicles	5 - 10

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65.

Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses).

The District has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to complement GASB Statement No. 63 *Financial*

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - continued

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

Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expended in the period incurred under GASB 65. The District incurred and expensed \$48,597 in bond issuance costs associated with the issuance of Limited Tax Revenue and Refunding Bonds, Series 2017 in the year ending December 31, 2017. See further discussion on the bond issuance in *Note 6 – Long Term Obligations* and *Note 8 – Dedication of Proceeds and Flow Funds*.

GASB Statement 23, as amended, establishes accounting and financial reporting for current refundings and advance refundings resulting in defeasance of debt. Refundings involve the issuance of new debt whose proceeds are used to repay previously issued ("old") debt. The new debt proceeds may be used to repay the old debt immediately (a current refunding); or the new debt proceeds may be placed with an escrow agent and invested until they are used to pay principal and interest on the old debt at a future time (an advance refunding). As described in paragraphs 3 and 4 of GASB Statement No. 7, *Advance Refundings Resulting in Defeasance of Debt*, an advance refunding may result in the in-substance defeasance of the old debt provided that certain criteria are met.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* provide guidance on reporting difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt. The difference is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.

During the year ending December 31, 2017, the District issued \$3,970,000 in Limited Tax Revenue and Refunding Bonds, Series 2017 for the purpose of refunding the District's outstanding bonds, funding a reserve fund, and paying the costs of issuance of the bonds. The District reported \$642,636 in deferred outflows of resources at December 31, 2017, related to the difference between the reacquisition price and the net carrying amount of the old debt for advance refunding resulting in defeasance of debt during the current year. See further discussion on the refunding of bonds in *Note 6 – Long Term Obligations* and *Note 8 – Dedication of Proceeds and Flow of Funds*.

K. Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets Component of Net Position - The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.
2. Restricted - this component of net position consists of noncapital assets that have constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation reduced by related liabilities and deferred inflow of resources.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - continued

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

3. Unrestricted - all other net position is reported in this category.

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.

The District has restricted Net Position related to bond restrictions.

L. Fund Balance

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

1. Nonspendable Fund Balance - amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.

The District does not have anything that can be classified as nonspendable Fund Balance.

2. Restricted - amounts in which the use of resources is constrained either by (a) external impositions by creditors, grantors, contributors, or laws or regulations of other governments or (b) impositions by law through constitutional provisions or enabling legislation.

The District has restricted fund balance due to bond restrictions.

3. Committed Fund Balance - amounts that can be used only for the specific purposes determined by a formal action of the Board of Commissioners (the District's highest level of decision-making authority).

The District does not have anything that can be classified as Committed Fund Balance.

4. Assigned Fund Balance -this classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent should be expressed by the District's governing body itself or a committee or official to which the governing body delegated the authority to assign amounts to be used for specific purpose.

The District does not have anything that can be classified as Assigned Fund Balance.

5. Unassigned Fund Balance - this classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the District will generally use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, the District's management reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

M. Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Recreation District No. 3 of Tangipahoa Parish
 (A Component Unit of the Tangipahoa Parish Government) - continued

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

N. Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes were levied by the District in September and billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed.

The Tangipahoa Parish Sheriff on behalf of the District bills, collects, and remits the property taxes using the assessed values determined by the tax assessor of Tangipahoa Parish. The following is a summary of authorized and levied ad valorem taxes:

	<u>Authorized Millage</u>	<u>Levied Millage</u>	<u>Expiration Date of Millage</u>
General Fund	15.00	15.00	04/09/2045

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The District uses the following budget practice:

The District adopts a budget for the General Fund on the modified accrual basis each year.

The budget for the fiscal year ended December 31, 2017, was originally adopted on February 14, 2017.

The budget was not amended.

3. DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of December 31, 2017, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 275,871
Restricted cash and cash equivalents	<u>2,248,852</u>
Total cash and cash equivalents and investments	<u><u>\$2,524,723</u></u>

Deposits and investments as of December 31, 2017, consist of the following:

Deposits with financial institutions:

Interest-bearing deposits	<u>\$2,524,723</u>
Total deposits and investments	<u><u>\$2,524,723</u></u>

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.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - continued

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

Custodial credit risk as it relates to cash deposit is the risk that in the event of bank failure, the government's deposits may not be returned. At December 31, 2017, the District has \$2,527,835 in deposits (collected bank balances). Of these deposits, \$2,248,852 are related to the issuance and related construction costs of the District's Limited Tax Bonds. Under the terms of the agreement with Whitney Bank, the bank maintains control of the funds and disburses funds in accordance with bond documents and at the District's request. All funds are fully collateralized by the Trust Department of the respective bank. Of the remaining deposits of \$278,983, \$250,000 is secured from risk by \$250,000 of Federal deposit insurance and the remaining \$28,983 is covered by pledge securities. The \$28,983 is exposed to custodial credit risk because while the amount is secured by pledge securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

4. Receivables

Receivables are all current and represent revenues earned in 2017 and received in 2018 as follows:

	<u>Total</u>
Tangipahoa Parish Sheriff:	
Ad Valorem Taxes	\$446,304
State Revenue Sharing	19,674
Less: Allowance for Uncollectible	<u>(2,848)</u>
Accounts Receivable, Net	<u>\$463,130</u>

5. Capital Assets

The following is a summary of changes in capital assets for the ended December 31, 2017:

	<u>Balance</u>			<u>Balance</u>
<u>Governmental Activities:</u>	<u>01/01/17</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/17</u>
Capital assets not depreciated:				
Land and land improvements	\$ 5,900	\$558,652	\$ -	\$564,552
Construction in progress	<u>68,128</u>	<u>137,887</u>	<u>-</u>	<u>206,015</u>
Total capital assets, not depreciated	<u>74,028</u>	<u>696,539</u>	<u>-</u>	<u>770,567</u>
Capital assets, being depreciated:				
Equipment	<u>-</u>	833	<u>-</u>	833
Total capital assets, being depreciated	<u>-</u>	833	<u>-</u>	833
Less: Accumulated depreciation:				
Equipment	<u>-</u>	56	<u>-</u>	56
Total accumulated depreciation	<u>-</u>	56	<u>-</u>	56
Total capital assets, being depreciated, net	<u>-</u>	777	<u>-</u>	777
Governmental activities capital assets, net	<u>\$74,028</u>	<u>\$697,316</u>	<u>\$ -</u>	<u>\$771,344</u>

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - continued

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

6. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended December 31, 2017:

Type of Debt	Balance 1/1/17	Debt Issued	Debt Retired	Balance 12/31/17	Due Within One Year
Series 2016:					
Limited Tax Bonds	\$ 9,405,000	\$ -	\$ 9,405,000	\$ -	\$ -
Debt Issuance Premium	1,020,292	-	1,020,292	-	-
Series 2017:					
Limited Tax and					
Refunding Bonds	-	3,970,000	-	3,970,000	80,000
Debt Issuance Premium	-	44,235	1,106	43,129	1,474
	<u>\$10,425,292</u>	<u>\$4,014,235</u>	<u>\$10,426,398</u>	<u>\$4,013,129</u>	<u>\$81,474</u>

During the year ending December 31, 2017, the District issued \$3,970,000 in Limited Tax and Refunding Bonds, Series 2017 (\$2,785,000 new money bonds (limited tax revenue) and \$1,185,000 refunding bonds), at a premium of \$44,235 for the purpose of refunding the Series 2016 outstanding bonds, funding a reserve fund, and paying the costs of issuance of the bonds. \$1,096,407.50 of the total Series 2017 bonds proceeds plus \$10,107,266.06 of reserve and construction funds of the Series 2016 bonds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the 2017 to 2046 debt service payments on the Series 2016 bonds. These bonds maturing April 1, 2027, and thereafter will be called for redemption on April 1, 2026, at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to which interest has been paid or duly called for. As a result, the \$9,405,000 outstanding 2016 Series bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2017.

As of December 31, 2017, long-term obligations of the District consisted of the following:

Limited Tax and Refunding Bonds:

\$3,970,000 Limited Tax and Refunding Bonds (Recreation District No. 3 of Tangipahoa Parish Project), Series 2017 dated March 29, 2017; Due in semi-annual installments of interest and maturing annually in amounts ranging from \$80,000 - \$235,000 through April 1, 2046; With interest between 2% and 5%. \$ 3,970,000

Payments of Limited Tax and Refunding Bonds principal and interest are secured solely by a pledge and dedication of the fifteen(15.00) mills, 30 year property tax approved by voters in the District on April 9, 2016.

Recreation District No. 3 of Tangipahoa Parish
 (A Component Unit of the Tangipahoa Parish Government) - continued

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

The annual requirements to amortize the Limited Tax and Refunding Bonds debt outstanding as of December 31, 2017, including interest, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 80,000	\$ 163,816	\$ 243,816
2019	85,000	162,145	247,145
2020	85,000	160,403	245,403
2021	90,000	158,406	248,406
2022	90,000	156,156	246,156
2023 - 2027	490,000	738,394	1,228,394
2028 - 2032	580,000	643,106	1,223,106
2033 - 2037	705,000	512,456	1,217,456
2038 - 2046	<u>1,765,000</u>	<u>422,478</u>	<u>2,187,478</u>
	<u>\$3,970,000</u>	<u>\$3,117,360</u>	<u>\$7,087,360</u>

Interest expense in the general fund for the year consisted of \$83,223 paid on the 2017 bonds. Additionally, interest expense for governmental activities included \$41,064 interest accrued on the 2017 bonds, \$1,106 related to amortization of premium on the 2017 bonds, and \$(16,478) in amortization of the deferred outflow of resources related to the bond refunding.

7. Ad Valorem Taxes

For the year ended December 31, 2017, taxes were levied on property with taxable assessed valuations totaling \$30,946,884.

Total taxes levied were \$464,209. At December 31, 2017, the ad valorem tax receivable was \$446,304. The ad valorem taxes receivable at December 31, 2017, are recorded net of a \$2,848 allowance for uncollectible taxes.

8. Dedication of Proceeds and Flow of Funds

Proceeds of the 30 year special tax of 15 mills on the dollar of assessed valuation on all property subject to taxation in the District are dedicated for the purpose of constructing, improving, maintaining, and operating recreational facilities for the District.

The District, through its governing authority, adopted a resolution on August 9, 2016, authorizing the issuance of \$10,935,000 of Limited Tax Bonds of Recreation District No. 3 of Tangipahoa Parish Series 2016, for the purpose of constructing, and improving recreational facilities, and secured by and payable from an irrevocable pledge and dedication of the revenue derived from the levy and collection of ad valorem tax of 15 mills.

During the year ending December 31, 2017 the District issued \$3,970,000 in Limited Tax and Refunding Bonds, Series 2017 (\$2,785,000 new money bonds (limited tax revenue) and \$1,185,000 refunding bonds), at a premium of \$44,235 for the purpose of refunding the Series 2016 outstanding bonds, funding a reserve fund, and paying the costs of issuance of the bonds. The bonds issued with premium included \$1,189,676 in refunding bonds and premium and \$2,842,559 in new money bonds (limited tax revenue bonds) and premium. \$1,096,407.50 of the total Series 2017 bond proceeds plus \$10,107,266.06 of reserve and construction funds of the Series 2016 bonds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government) - concluded

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

agent to provide for the 2017 to 2046 debt service payments on the Series 2016 bonds. These bonds maturing April 1, 2027, and thereafter will be called for redemption on April 1, 2026 at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to which interest has been paid or duly called for. As a result, the \$9,405,000 outstanding 2016 Series bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2017. The District incurred and expensed \$48,597 in bond issuance costs associated with the issuance of Limited Tax and Refunding Bonds, Series 2016 in the year ending December 31, 2017. The District reported \$642,636 in deferred outflows of resources at December 31, 2017 related to the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt during the current year.

Due to the refunding of debt, previous debt service of \$17,751,197 was replaced by debt service of \$7,170,584 (\$1,461,608 related to refunding bonds and \$5,708,976 related to limited tax bonds), after refunding, resulting in an increase in cash flow of \$10,580,613 (\$16,289,589 increase related to refunding bonds and \$5,708,976 decrease related to limited tax bond). A recap of the net present value benefits and cash savings for the Refunding Bonds is presented below:

PV Analysis Summary (Gross to Gross) for Refunding Bonds, Series 2017

Gross PV Debt Service Savings	\$ 10,454,116
Expense Fund Transfer	(2,483)
Sinking Fund Contribution	(384,193)
Reserve Fund Transfer	(594,544)
Construction Fund	(9,510,238)
Sinking Fund Retained	384,193
Reserve Fund Retained	74,146
Construction Fund Deposit	<u>1,534</u>
Net Present Value Benefit	<u>\$ 422,531</u>
Net PV Benefit / \$9,405,000 Refunded Principal	4.4926%
Net PV Benefit / \$1,185,000 Refunding Principal	35.6566%

As of December 31, 2017, the District was in compliance with all bond covenants.

9. Litigation

There is no litigation pending against the District at December 31, 2017.

10. Subsequent Events

Subsequent events have been evaluated by management through June 27, 2018, the date the financial statements were available for issuance. No other events were noted requiring recording or additional disclosure in the financial statements for the year ending December 31, 2017.

REQUIRED SUPPLEMENTAL INFORMATION
(Part II)

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP) and Actual Governmental Fund Type-General Fund
For the year ending December 31, 2017

Schedule 1

	Original and Final Budget	Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues			
Ad Valorem Taxes	\$ 418,000	\$ 464,209	\$ 46,209
State Revenue Sharing	15,000	19,674	4,674
Interest and Investment Earnings	-	14,761	14,761
Total Revenues	433,000	498,644	65,644
Expenditures			
Parks and Receptions services:			
Salaries	2,400	12,000	(9,600)
Payroll Taxes	2,000	1,055	945
Auditing	5,000	3,000	2,000
Accounting	12,000	14,593	(2,593)
Legal	8,000	6,577	1,423
Grant Writer	10,000	-	10,000
Insurance	-	682	(682)
Miscellaneous	-	197	(197)
Office Expense	2,000	228	1,772
Official Statement Printing	1,000	1,496	(496)
Per Diem- Board	1,500	1,050	450
Telephone	1,200	-	1,200
Pension Fund Mandate	15,000	17,495	(2,495)
Bond Issuance Costs	28,595	48,597	(20,002)
Debt Service-Principal	80,000	-	80,000
Debt Service-Interest	152,000	83,223	68,777
Debt Service- Bond Refund Payment	-	10,107,266	(10,107,266)
Capital Outlay	600,000	697,372	(97,372)
Total Expenditures	920,695	10,994,831	(10,074,136)
(Deficiency) of Revenues over Expenditures	(487,695)	(10,496,187)	(10,008,494)
Other Financing Sources (Uses)			
Refunding Bonds Issued	4,166,577	3,970,000	(196,577)
Premium refunding bonds issued	-	44,235	44,235
Payment to refunded bond escrows agent	(10,106,631)	(1,096,408)	9,010,223
Defeasance-shortage	(1,233,120)	-	1,233,120
Total Other Financing Sources (Uses)	(7,173,174)	2,917,827	10,091,001
Net Change in Fund Balance	(7,660,869)	(7,578,360)	82,509
Fund Balance at Beginning of Year	10,507,342	10,507,342	-
Fund Balance at End of Year	\$ 2,846,473	\$ 2,928,982	\$ 82,509

See Independent Auditor's Report.

OTHER SUPPLEMENTAL INFORMATION

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

SCHEDULE OF COMPENSATION, REIMBURSEMENTS , BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2017

Agency Head: Brandon Andrews, Chairman of the Board

No compensation, benefits, or other payments were paid during the year ended December 31, 2017.

See Independent Auditor's Report.

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa Parish Government)

SCHEDULE OF BOARD MEMBERS
For the year ended December 31, 2017

	<u>Term</u>	<u>Term Expires</u>	<u>Compensation</u> <u>Paid</u>
Brandon Andrews 200 LaSare Drive Amite, LA 70422 985-517-6180	2	April 2020	\$ -
Gerald Giardina 603 Tobey Drive Amite, LA 70422 985-507-7070	1	April 2021	275
Wayne Johnson 507 South Street Amite, LA 70422 985-662-4148	1	April 2021	275
Tanya Warren 302 Pecan Street Amite, LA 70422 985-969-2437	2	April 2019	225
Eve Wilson 11350 Ardillo Lane Amite, LA 70422 985-215-1614	2	April 2018	275
			<hr/> <hr/> <u>\$1,050</u>

See Independent Auditor's Report.

**OTHER INDEPENDENT AUDITOR'S REPORTS AND
FINDINGS, RECOMMENDATIONS, AND RESPONSES**

Bruce C. Harrell, CPA

Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy W. Garcia, CPA
Elizabeth P. Lafargue, CPA

INTERNET
www.teamcpa.com

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs



BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

**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***

To the Board Members of the
Recreation District No. 3 of Tangipahoa Parish
Amite, Louisiana

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Recreation District No. 3 of Tangipahoa Parish, Amite, Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively compromise the Recreation District No. 3 of Tangipahoa Parish's basic financial statements, and have issued our report thereon dated June 27, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Recreation District No. 3 of Tangipahoa Parish'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 Recreation District No. 3 of Tangipahoa Parish's internal control. Accordingly, we do not express an opinion on the effectiveness of the Recreation District No. 3 of Tangipahoa Parish'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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Recreation District No. 3 of Tangipahoa Parish’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 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 findings and responses as Findings 2017-C1 and 2017-C2.

Recreation District No. 3 of Tangipahoa Parish’s Response to Findings

Recreation District No. 3 of Tangipahoa Parish’s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Recreation District No. 3 of Tangipahoa Parish’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 our 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.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

June 27, 2018

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Findings and Responses
For the Year Ended December 31, 2017**

Section I Summary of Auditor's Results

Financial Statements

a. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Qualified
Disclaimer Adverse

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

Internal Control:

Material Weaknesses Yes No Significant Deficiencies Yes No

Compliance:

Noncompliance Material to Financial Statements Yes No

Federal Awards - NA

Internal Control over major federal Programs:

Material Weaknesses Yes No Significant Deficiencies Yes No

Type of auditor's report issued on compliance for major federal programs:

Unmodified Qualified
Disclaimer Adverse

Are there findings required to be reported in accordance with 2 CFR 200.516(a)

Yes No

Was a management letter issued?

Yes No

Identification of Major Programs:

CFDA Number (s)	Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: \$ _____

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Findings and Responses
For the Year Ended December 31, 2017**

Section II Financial Statement Findings

Finding Number: 2017-C1 Local Budget Act (noncompliance)

Criteria: LRS 39:1305 requires a comprehensive budget be prepared for each fiscal year for the general fund by the chief executive or administrative officer or equivalent. The budget document must include a budget message and a statement. The budget must include a budget message signed by the budget preparer which should include a summary description of the proposed financial plan, policies, and objective, assumptions, budgetary basis, and a discussion of the most important features. The budget statement is to include estimated fund balance at the beginning of the year; estimates of all receipts and revenues to be received; revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year. Such statement should include a side by side detailed comparison of such information for the current year, including the fund balance at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balance at the end of the fiscal year; and the percentage change for each item of information. LRS 39:1305 requires the completion and submission of the proposed budget to the governing authority and made available for public inspection no later than fifteen days prior to the beginning of each fiscal year. LRS 39:1309 requires adoption of the budget for the fiscal year in open meeting before the end of the prior fiscal year.

Condition: For the year ending December 31, 2017, the District adopted a budget for the general fund, but it did not include the budget message. Additionally, the budget statement was not in the format prescribed by the statute.

Cause: The District did not adopt a 2016 Operating Budget (see Prior Year Finding 2016-C1) and did not receive any funds until September 2016 followed by, in November 2016, all funding and expenditures were frozen due to the possible defeasance of the bonds. At the time of adoption, it was not known what the financial impact the defeasance would have on the District for the year ending December 31, 2017. Due to all of these circumstances, the District did not find it appropriate or meaningful to adopt the 2017 Operating Budget in the required 8 column format with reference to prior year numbers. The 2017 Operating Budget was instead adopted with a side by side presentation comparing the 2016 Budget (not adopted) to the Proposed 2017 Operating Budget.

Effect: Noncompliance with the above references statutes.

Recommendation: The District should prepare, submit and approve a comprehensive budget in accordance with the referenced statutes.

Management's Response: In the future, the District will comply with all the requirements of RS 39:1305, Local Budget Act. It should be noted that the 2018 Operating Budget was prepared in accordance with the required 8 column format.

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Findings and Responses
For the Year Ended December 31, 2017**

Finding Number: 2017-C2 Ethics Training (noncompliance)

Criteria: LRS 42:1170 requires all public servants obtain a minimum of one hour education and training on the Code of Governmental Ethics during each year of his public employment or term in office.

Condition: the District did not have documentation of the required ethics training for the District's sole employee or three of the five board members for the year ending December 31, 2017.

Cause: Failure to complete training or provide certificates.

Effect: Noncompliance with the above references statutes.

Recommendation: The District should ensure that all employees and board members complete the required training each year.

Management's Response: The Secretary last did her training on December 29, 2016, when she was an employee of the Town of Amite City. She thought the training was in January 2017. The Secretary on numerous occasions reminded the Board of the required ethics training and requested they provide her with the certificate showing completion of the training. Ethics training will be required to be completed and documentation of completion to be provided to the Secretary by October 1 of each year. The Secretary will follow up monthly with those who have not completed the training until training is completed before December 31.

Section III Federal Award Findings and Questioned Costs

No Section III Findings

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2017**

Section I Internal Control and Compliance Material to the Financial Statements

Finding Number: 2016-C1 Local Budget Act (noncompliance)

Criteria: LRS 39:1305 requires a comprehensive budget be prepared for each fiscal year for the general fund by the chief executive or administrative officer or equivalent. The budget document must include a budget message and a statement. The budget must include a budget message signed by the budget preparer which should include a summary description of the proposed financial plan, policies, and objective, assumptions, budgetary basis, and a discussion of the most important features. The budget statement is to include estimated fund balance at the beginning of the year; estimates of all receipts and revenues to be received; revenues itemized by source; recommended expenditures itemized by agency, department, function, and character; other financing sources and uses by source and use; and the estimated fund balance at the end of the fiscal year. Such statement should include a side by side detailed comparison of such information for the current year, including the fund balance at the beginning of the year, year-to-date actual receipts and revenues received and estimates of all receipts and revenues to be received the remainder of the year; estimated and actual revenues itemized by source; year-to-date actual expenditures and estimates of all expenditures to be made the remainder of the year itemized by agency, department, function, and character; other financing sources and uses by source and use, both year-to-date actual and estimates for the remainder of the year; the year-to-date actual and estimated fund balance at the end of the fiscal year; and the percentage change for each item of information. LRS 39:1305 requires the completion and submission of the proposed budget to the governing authority and made available for public inspection no later than fifteen days prior to the beginning of each fiscal year. LRS 39:1309 requires adoption of the budget for the fiscal year in open meeting before the end of the prior fiscal year.

Condition: The District did not adopt a comprehensive budget for the general fund as prescribed by the statute for the year ending December 31, 2016.

Cause: The Board decided not to adopt a 2016 budget due to the pending bond refunding issuance to occur in 2017.

Effect: Noncompliance with the above referenced statutes.

Recommendation: The District should prepare, submit and approve a comprehensive budget in accordance with the referenced statutes.

Management's Response: The 2017 budget was prepared, submitted and approved, but was done so after end of the prior fiscal year. Going forward, the District will comply with the above referenced statutes.

Current Year Status: Partially repeated in 2017 as Finding 2017-C1.

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

This schedule was prepared by management.

Recreation District No. 3 of Tangipahoa Parish
Amite, Louisiana

Statewide Agreed-Upon Procedures

As of and for the Year Ended December 31, 2017



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Bruce C. Harrell, CPA
Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy Westcott Garcia, CPA
Elizabeth P. Lafargue, CPA

INTERNET
www.teamcpa.com

MEMBERS
American Institute of CPAs
Society of Louisiana CPAs



BRUCE HARRELL
and COMPANY

CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

109 West Minnesota Park
Park Place Suite 7
Hammond, LA 70403
VOICE: (985) 542-6372
FAX: (985) 345-3156

KENTWOOD OFFICE
P.O. Box 45 - 909 Avenue G
Kentwood, LA 70444
VOICE: (985) 229-5955
FAX: (985) 229-5951

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board Members of the
Recreation District No. 3 of Tangipahoa Parish
Amite, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Recreation District No. 3 of Tangipahoa Parish (Entity) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2017 through December 31, 2017. The Recreation District No. 3 of Tangipahoa Parish's management is responsible for those C/C areas identified in the SAUP's.

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.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. 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:

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

Written policies and procedures were obtained and address the functions noted above.

- 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.

Written policies and procedures were obtained. A comprehensive policy exists, but the following matters were noted: (1) The policy does not specifically address how vendors are added to the vendor list; and (2) A typo in the policy creates a void in detailing exactly who approves purchase orders. The District intends to correct this typo in the next Board meeting. Note that currently, the District has limited transactions outside of the construction project and as such, limited transactions pertaining to the matters noted above.

- c) **Disbursements**, including processing, reviewing, and approving
Written policies and procedures were obtained and address the functions noted above.
- d) **Receipts**, including receiving, recording, and preparing deposits
Written policies and procedures were obtained and address the functions noted above.
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Written policies and procedures were obtained and address the functions noted above.
- 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
Written policies and procedures were obtained and address the functions noted above.
- 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, and (5) monitoring card usage
Written policies and procedures were obtained and address the functions noted above.
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
Written policies and procedures were obtained and address the functions noted above.
- i) **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. Note: Ethics requirements are not applicable to nonprofits.
Written policies and procedures were obtained. A comprehensive policy exists, but the following matters were noted: (1) While the policy states actions to be taken, certain aspects of the ethics policy are violated, it fails to detail actions to be taken if an ethics violation takes place; and (2) While the policy includes a system of tracking violations of certain aspects of the ethics policy, it does not include a system to monitor other possible ethics violations.
- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Written policies and procedures were obtained and address the functions noted above.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
Board meeting were scheduled monthly. The board met (with a quorum) 9 months of the year. No meeting was held 3 months of the year due to no quorum..
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
The minutes reference a financial review and attachments in the District's minutes book included budget-to-actual comparisons.
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending

for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Budget to actual comparisons do not show deficit spending.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

The minutes reference non-budgetary financial information for at least one meeting during the fiscal period.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

Obtained listing of client bank accounts from management and management's representation that the listing is complete.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Obtained bank statements and reconciliations for five bank accounts for all months in the fiscal period noting that reconciliations have been prepared.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

The bank reconciliations include evidence of board review. However, the initials on the reconciliations appear to be that of a Board member who is authorized to sign checks and approve electronic disbursements. Note that currently, the District has limited transactions outside of the construction project and as such, limited transactions pertaining to the matters noted above.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No items outstanding for more than 6 months were noted; therefore, this is not applicable.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Obtained listing of cash collection locations, none, and management's representation that the listing is complete. Note that there were no collection locations for the District in 2017.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded*

from selection if they are otherwise addressed in a separate audit or AUP engagement. For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (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.

Not applicable – no collection locations in 2017.

- 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 and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Not applicable – no collection locations in 2017.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity 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.

Not applicable – no collection locations in 2017.

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

Not applicable – no collection locations in 2017.

7. 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 collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Not applicable – no collection locations in 2017. The District will adopt a more comprehensive policy once the recreational park is operational and collections are made.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

Listing of disbursements and management's representation that the listing is complete was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Examined supporting documentation for each of the 25 disbursements selected and found the following exception: (1) One disbursement related to a purchase selected did not include a purchase order in accordance with District's policy. No electronic equivalent system is used by the District and as such, not used on this transaction.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Same as 9a above.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Examined supporting documentation for each of the 25 disbursements selected and found the following exception: (1) As noted in 9a above, one disbursement selected related to a purchase and did not include a purchase order in accordance with District's policy. No electronic equivalent system is used by the District. (2) On the same selection, a receiving report was present, but not signed in accordance with the District's policy. (3) Continuing with the same selection, an invoice was included, but lacked evidence of approval which is also in contradiction with the District's policy. (4) Two separate disbursements selected were supported by an invoice which included evidence of review and approval by a board member. However, there was no evidence on the invoices of a second approval in accordance with the District's policy. Note that the checks were dual signed.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

In the District's operating account, the purchasing/disbursement system is manual as checks are manually written and the transaction subsequently recorded by an outside CPA. As such, the vendor is essentially entered at the time of the disbursement and thus the individual responsible for processing payments is not prohibited from adding vendors. Supporting invoices are separately approved and checks are dual signed, with at least one being a Board Member. Note that currently, the District has limited transactions outside of the construction project and as such, limited transactions from the operating account.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Written documentation was obtained and addresses the functions noted above.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Per the District's policy, unused check stock is secured and maintained by the secretary, who has signatory authority. Per procedures performed in #9 above, it is noted however that the checks are dual signed, with one being in addition to the Secretary's signature. Note further that currently the District has limited transactions outside of the construction project and as such, limited transactions pertaining to the matter described above.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer.

Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

No signature stamp or machine is used.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

Listing of all active credit cards, bank cards, and fuel cards, including the card numbers and name of person who maintained possession of cards, and management's representation that the listing is complete was obtained. None in 2017.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Not applicable – none in 2017.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]

Not applicable – none in 2017.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Not applicable – none in 2017.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)

Not applicable – none in 2017.

- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Not applicable – none in 2017.

- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable – none in 2017.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable – none in 2017.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable – none in 2017.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Listing of all travel and expense reimbursements by person and management's representation that the listing is complete was obtained. None in 2017.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Not applicable – none in 2017.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Not applicable – none in 2017.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Not applicable – none in 2017.

- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Not applicable – none in 2017.

- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Not applicable – none in 2017.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable – none in 2017.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Not applicable – none in 2017.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Listing of all contracts in effect and management's representation that the listing is complete was obtained.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Selected five contract vendors from the listing and obtained the related contracts with the following exception: One of the five selected vendors did not have a formal/written contract; the vendor was the District's attorney.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

NA - no contract selected was subject to the Louisiana Public Bid Law.

- If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

There were no quotes solicited on four of the five vendors selected.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No amendments noted.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The following matters were noted: (1) The procedure is not applicable for one selected vendor as there was no contract, as previously noted above; and (2) The largest payment on one of the vendors selected included supporting documents suggesting that the payment was made on two contracts. \$11,047.50 of the total payment was paid in accordance with the terms of the contract. In relation to the remainder of the payment, \$16,309.57, the following exceptions were noted:

- (a) A previously invoiced amount of \$12,932.38 which was on the related invoice was paid by the District as part of this disbursement, but that amount matches a previous payment in the District's general ledger. A letter from the Engineer was reviewed noting that this amount had been previously paid and the amount was included on the invoice again due to timing of payment receipt. As such, this amount was paid twice and the amount was later credited to a future invoice.*

(b) *The percentage shown on the invoice as that which was being used in calculating the engineering fees invoiced (8.5826%) does not specifically match the contract terms. The contract states that the percentage is based on the percentages shown on the Louisiana Facility Planning and Control Schedule of Representative Fees. Such schedule attached to the contract was the representative fees for 2015. The percentage used does not match the percentages on that schedule. The District's engineer noted that the 2015 schedule was the schedule to be used and as such, did not provide the 2017 schedule.*

(c) *The percentage shown on the invoice as that which was being used in calculating the engineering fees invoiced (8.5826%) does not appear to be the percentage actually used in calculating the engineering fees. The percentage used in calculating the engineering fees appears to be 8.826%. The 8.826% also does not match the percentages on the schedule attached to the contract. The difference between 8.5826% and 8.826% creates a difference to total engineering fees of \$5,291.24 and a difference to this payment of approximately \$650.*

The following was also noted as this procedure was being performed on this selection: The Form of Construction Requisition was not signed by a Board Member, only the Secretary. In procedures performed in audit procedures, it was noted that all other Form of Construction Requisitions were dual signed by the secretary and a board member.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Board approval noted.

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:

Listing of employees with their related salaries and management's representation that the listing is complete was obtained.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Payments were noted as made in strict accordance with the pay rate structure; no exceptions noted.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Changes were noted as approved in writing and in accordance with written policy; no exceptions noted.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Not applicable – no leave in 2017 as only one part-time employee.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Not applicable.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Not applicable.

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Listing of employes/officials that terminated during the fiscal year and management's representation that the listing is complete was obtained. None in 2017.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Obtained documentation and the following exception noted: Payroll taxes for the 3rd quarter and the related returns were submitted 16 days late. Note that the District has only one part time employee and as such, a limited amount of payroll taxes are due.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Only one employee and as such, that employee selected in procedure #22. No certificate was on file for this employee. During audit procedures, further noted that three of the five Board members do not have certificates on file for 2017. Of those three, one has a 2018 certificate on file with the District.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the entity's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Inquired; none noted.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Documentation obtained; no exceptions noted.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Documentation obtained; no exceptions noted.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Documentation obtained. Millage collections do not exceed debt service payments by more than 10% during the fiscal period. Noted no millages that continue to be received for debt that has been paid off.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Inquired; none noted.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Not applicable – the District does not have a premises or website.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

No exceptions noted.

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 the control or compliance. Accordingly, this report is not suitable for any other purposes. Under Louisiana Revised Statute R.S.24:513, this report is distributed by the LLA as a public document.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

June 27, 2018