

**RECREATION DISTRICT NO. 14
OF ST. TAMMANY PARISH**

Annual Financial Statements

December 31, 2012

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **NOV 06 2013**

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Independent Auditor's Report

To the Board of Commissioners
Recreation District No. 14 of St. Tammany Parish
Madisonville, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Recreation District No. 14 of St. Tammany Parish ("the District"), a component unit of St. Tammany Parish, Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their own independence and objectivity and are subject to the same high standards of ethical behavior and quality of service as the McGladrey Alliance.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Recreation District No. 14 of St. Tammany Parish, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Management has omitted the management's discussion and analysis 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 ("GASB"), 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.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 27 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of governing board is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of governing board is the responsibility of management and was derived from and relates 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 schedule of governing board is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2013, on our consideration of the District's internal control over financial reporting and on 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 to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Recreation District No. 14 of St. Tammany Parish's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "LaForte".

A Professional Accounting Corporation

Covington, LA
June 17, 2013

BASIC FINANCIAL STATEMENTS
GOVERNMENT-WIDE FINANCIAL STATEMENTS

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Statement of Net Position
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Cash Equivalents	\$ 598,816	\$ 52,793	\$ 651,609
Receivables - Ad Valorem Taxes, Net of Allowance	1,823,490	-	1,823,490
Receivables - State Revenue Sharing	17,147	-	17,147
Receivables - Other	-	1,325	1,325
Prepaid Expenses	74,654	-	74,654
Other Assets	8,494	-	8,494
Bond Issuance Costs, Net of Amortization	105,311	-	105,311
Capital Assets Being Depreciated, Net of Accumulated Depreciation	8,069,950	6,320	8,076,270
Capital Assets Not Being Depreciated	3,844,611	-	3,844,611
Total Assets	14,542,473	60,438	14,602,911
Deferred Outflows of Resources			
Loss on Refunding	36,103	-	36,103
Liabilities			
Accounts Payable	322,412	3,912	326,324
Accrued Expenses	7,636	-	7,636
Accrued Interest	116,662	-	116,662
Certificates of Indebtedness			
Due Within One Year	85,000	-	85,000
Due in More than One Year	575,000	-	575,000
Bonds Payable			
Due Within One Year	525,000	-	525,000
Due in More than One Year	8,305,000	-	8,305,000
Total Liabilities	9,936,710	3,912	9,940,622
Net Position			
Net Investment in Capital Assets	2,272,723	6,320	2,279,043
Restricted - Debt Service	793,671	-	793,671
Unrestricted	1,575,472	50,206	1,625,678
Total Net Position	\$ 4,641,866	\$ 56,526	\$ 4,698,392

The accompanying notes are an integral part of these financial statements

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Statement of Activities
For the Year Ended December 31, 2012

Functional Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities						
Recreation	\$ 1,021,459	\$ -	\$ -	\$ (1,021,459)	\$ -	\$ (1,021,459)
Interest on Long-Term Debt	383,614	-	-	(383,614)	-	(383,614)
Total Governmental Activities	1,405,073	-	-	(1,405,073)	-	(1,405,073)
Business-Type Activities						
Recreation	389,577	403,216	-	-	13,639	13,639
Total Business-Type Activities	389,577	403,216	-	-	13,639	13,639
Total	\$ 1,794,650	\$ 403,216	\$ -	(1,405,073)	13,639	(1,391,434)
General Revenues						
Taxes						
Ad Valorem Taxes				1,882,368	-	1,882,368
State Revenue Sharing				17,147	-	17,147
Interest and Investment Earnings				639	23	662
Miscellaneous				29,423	-	29,423
Total General Revenues				1,929,577	23	1,929,600
Change in Net Position				524,504	13,662	538,166
Net Position, Beginning of Year				4,117,362	42,864	4,160,226
Net Position, End of Year				\$ 4,641,866	\$ 56,526	\$ 4,698,392

The accompanying notes are an integral part of these financial statements

**BASIC FINANCIAL STATEMENTS
FUND FINANCIAL STATEMENTS**

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Balance Sheet
Governmental Funds
December 31, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 405,570	\$ 16,067	\$ 177,179	\$ 598,816
Receivables - Ad Valorem Taxes, Net	960,950	862,540	-	1,823,490
Receivables - State Revenue Sharing	17,147	-	-	17,147
Prepaid Expenses	74,654	-	-	74,654
Due from Other Funds	171,982	-	-	171,982
Other Assets	3,400	-	5,094	8,494
Total Assets	\$1,633,703	\$ 878,607	\$ 182,273	\$ 2,694,583
Liabilities				
Accounts Payable	\$ 75,347	\$ -	\$ 247,065	\$ 322,412
Accrued Expenses	7,636	-	-	7,636
Due to Other Funds	-	84,936	87,046	171,982
Total Liabilities	82,983	84,936	334,111	502,030
Fund Balances				
Restricted for Debt Service	-	793,671	-	793,671
Unassigned	1,550,720	-	(151,838)	1,398,882
Total Fund Balances	1,550,720	793,671	(151,838)	2,192,553
Total Liabilities and Fund Balances	\$1,633,703	\$ 878,607	\$ 182,273	

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	11,914,561
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds	(9,490,000)
Bond issuance costs and loss on refunding are not available to pay for current period expenses and, therefore, are not reported in the funds	141,414
Accrued interest and expenses associated with long-term liabilities are not reported in the governmental funds	(116,662)
Net Position of Governmental Activities	\$ 4,641,866

The accompanying notes are an integral part of these financial statements

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2012

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Ad Valorem Taxes	\$ 977,525	\$904,843	\$ -	\$ 1,882,368
State Revenue Sharing	17,147	-	-	17,147
Interest and Investment Earnings	335	30	274	639
Miscellaneous	29,423	-	-	29,423
Total Revenues	1,024,430	904,873	274	1,929,577
Expenditures				
Administration	570,265	4,718	-	574,983
Capital Outlay	50,644	-	964,189	1,014,833
Debt Service - Principal	90,000	500,000	-	590,000
Debt Service - Interest	9,760	346,985	-	356,745
Total Expenditures	720,669	851,703	964,189	2,536,561
Net Changes in Fund Balances	303,761	53,170	(963,915)	(606,984)
Fund Balance, Beginning of Year	1,246,959	740,501	812,077	2,799,537
Fund Balance, End of Year	\$ 1,550,720	\$ 793,671	\$ (151,838)	\$ 2,192,553

The accompanying notes are an integral part of these financial statements

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2012

Net Changes in Fund Balances - Total Governmental Funds	\$ (606,984)
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Amounts reported for governmental activities in the Statement of Activities
are different because

Governmental funds report capital outlays 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. This is the amount by which capital outlays exceeded depreciation in the current period.	568,357
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The issuance of long-term debt (e.g., certificates of indebtedness, bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	581,040
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(17,909)</u>
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Change in Net Position of Governmental Activities	<u>\$ 524,504</u>
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The accompanying notes are an integral part of these financial statements

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Statement of Net Position
Proprietary Fund
December 31, 2012

Assets	
Cash and Cash Equivalents	\$ 52,793
Accounts Receivable	1,325
Capital Assets, Net of Accumulated Depreciation	<u>6,320</u>
Total Assets	<u>60,438</u>
Liabilities	
Accounts Payable	<u>3,912</u>
Total Liabilities	<u>3,912</u>
Net Position	
Net Investment in Capital Assets	6,320
Unrestricted	<u>50,206</u>
Total Net Position	<u><u>\$ 56,526</u></u>

The accompanying notes are an integral part of these financial statements

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2012

Operating Revenues	
Registration Fees	\$ 285,713
Concessions	103,192
Other	<u>14,311</u>
Total Operating Revenues	<u>403,216</u>
Operating Expenses	
Uniforms	118,015
Concessions	104,908
Other	77,272
Officials, Coaches, and Scorers	49,282
Sports Equipment	26,362
Awards	13,192
Depreciation	<u>546</u>
Total Operating Expenses	<u>389,577</u>
Net Operating Income	<u>13,639</u>
Other Revenues (Expenses)	
Interest Income	<u>23</u>
Change in Net Position	13,662
Net Position, Beginning of Year	<u>42,864</u>
Net Position, End of Year	<u><u>\$ 56,526</u></u>

The accompanying notes are an integral part of these financial statements

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2012

Cash Flows from Operating Activities	
Receipts from Customers	\$ 402,461
Payments for Goods and Services	<u>(385,748)</u>
Net Cash Provided by Operating Activities	<u>16,713</u>
Cash Flows from Investing Activities	
Interest Received	<u>23</u>
Net Cash Provided by Investing Activities	<u>23</u>
Net Increase in Cash and Cash Equivalents	16,736
Cash and Cash Equivalents, Beginning of Year	<u>36,057</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 52,793</u></u>
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities	
Net Operating Income	\$ 13,639
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation	546
Changes in Assets and Liabilities	
Decrease in Accounts Receivable	(755)
Decrease in Accounts Payable	<u>3,283</u>
Net Cash Provided by Operating Activities	<u><u>\$ 16,713</u></u>

The accompanying notes are an integral part of these financial statements

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The mission of Recreation District No. 14 of St. Tammany Parish ("the District") is to acquire, construct, operate, and maintain recreation facilities in the area of the Parish, which includes Madisonville, Louisiana. The accounting and reporting policies of the District conform to accounting principles generally accepted in the United States of America applicable to government entities. The following is a summary of significant accounting policies.

Reporting Entity

The District was created in 1999, by Ordinance 3017 of the St. Tammany Parish Council ("the Council"). The District is governed by a Board of Commissioners, which is appointed by the Council. The District consists of seven Commissioners who serve staggered terms.

As the governing authority of the Parish, the Council is the financial reporting entity for St. Tammany Parish ("the Parish"). The financial reporting entity consists of (a) the primary government, (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.

Governmental Accounting Standards Board Statement No. 14, as amended, established criteria for determining which component units should be considered part of the St. Tammany Parish Council for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Council appoints all members of the District's Board and, as such, is financially accountable for the District. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Council, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Basis of Presentation

The accompanying basic financial statements of Recreation District No. 14 of St. Tammany Parish have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63 in June 2011.

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

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

Separate financial statements are provided for the governmental funds and for the proprietary funds.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. 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 fiscal and accounting entity with a self-balancing set of accounts. The various funds of the District are classified as governmental and proprietary. The emphasis on fund financial statements is on major funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures are at least 10 percent of the corresponding total for all governmental and proprietary funds and at least 5 percent of the aggregate amount for all governmental and proprietary funds.

The District reports the following major governmental funds:

General Fund - The General Fund is the primary operating fund of the District. It accounts for all the financial resources except those that are required to be accounted for in other funds.

Debt Service Fund - The Debt Service Fund accounts for proceeds of ad valorem taxes of 4.47 mills restricted for periodic payments of principal and interest on general long-term debt.

Capital Projects Fund - The Capital Projects Fund accounts for the proceeds of the 2011 certificates of indebtedness and the 2004, 2006, 2008, and 2010 general obligation bonds, which will be used for purchase of land and construction of facilities.

The District reports one major proprietary fund. The fund accounts for registration fees for youth and adult sports and the related expenses of providing sports including uniforms, officials and scorers, and equipment. The fund also accounts for sale of concessions, goods, admissions, and their related costs from all facilities' concession stands.

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Measurement Focus / Basis of Accounting

The amounts reflected in the governmental fund financial statements 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 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 the government-wide financial statements.

The amounts reflected in the governmental fund financial statements 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 payment is 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 government-wide financial statements are accounted for using an economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements.

Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Ad valorem taxes and state revenue sharing 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.

Cash and Cash Equivalents and Investments

Cash includes amounts in interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the municipality 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.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. 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. Investments are stated at market value.

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Receivables

All receivables are reported net of estimated uncollectible amounts. The allowance for uncollectibles is \$98,881, which represents 5% of the total ad valorem tax receivable at December 31, 2012. This estimate is based on the District's history of collections within this revenue stream.

Capital Assets

All capital assets of the District are recorded at historical cost in the government-wide and proprietary fund financial statements. Depreciation of all exhaustible capital assets is charged as an expense against their operations.

In the governmental fund financial statements, capital assets used in the governmental fund operations are accounted for as capital outlay expenditures upon acquisition.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The District capitalizes equipment and furniture in excess of \$2,500. The following estimated useful lives and methods are used to compute depreciation:

Park, Fields, and Grounds	15 - 40 Years	Straight-Line
Furniture, Fixtures, and Equipment	5 - 15 Years	Straight-Line

Depreciation expense for the year ended December 31, 2012, amounted to \$446,476 for the governmental activities and \$546 for the business-type activities.

Long-Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the lives of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as other financing uses.

Defining Operating Revenues and Expenses

The District's proprietary fund distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for sports league registration, concessions, and admissions, and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Equity Classifications

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as amended*, net position is classified into three components: net investment in capital assets, restricted, and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets

This component of net position consists of the historical cost of capital assets, including any restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets, plus deferred outflows of resources, less deferred inflows of resources related to those assets.

Restricted

This component of net position consists of assets that have constraints that are externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted

All other net position is reported in this category.

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

1. Restricted Fund Balance - amounts that can be spent only for specific purposes because of enabling legislation or externally imposed conditions by grantors, creditors, or citizens.
2. Unassigned Fund Balance - all amounts not included in other spendable classifications.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the District's policy is to apply restricted net position first.

Estimates

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

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Impact of Recently Issued Accounting Principles

Recently Issued and Adopted Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 incorporates into GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure. This statement is effective for periods beginning after December 15, 2011. The adoption of this statement in 2012 does not have any impact on the District's financial statements.

In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components: assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The provisions of this statement are effective for financial periods beginning after December 15, 2011. During 2012, the District adopted the statement and restated balances previously referred to as net assets to net position.

Recently Issued Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 clarifies the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. Additionally, the GASB evaluated debt issue costs and concluded that these costs relate to services provided in the current period and, thus, should be expensed in the current period. This is a significant change from current practice, which is to record these as assets and amortize them over the life of the related debt issue. The provisions of the statement are effective for periods beginning after December 15, 2012. Management anticipates, upon retrospective adoption of this new standard in 2013, net position will decrease \$105,311 due to the unamortized portion of the asset associated with bond issue costs.

Note 2. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2012, consisted of demand deposits with a carrying value of \$651,609 and a bank balance of \$683,954. These deposits are stated at cost, which approximates market.

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 2. Cash and Cash Equivalents (Continued)

Custodial Credit Risk - Deposits

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 bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the District had \$683,954 in deposits (collected bank balances). These deposits are secured from risk by \$250,000 in federal deposit insurance and \$433,954 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Note 3. Ad Valorem Taxes

Ad valorem taxes to fund the operations and bond debt service of the District are levied each November 1st on the assessed value listed as of the prior January 1st for all real property, merchandise, and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed as of November 28, 2012. Taxes are due and payable December 31st of the year levied.

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

	Authorized	Levied
Construction, Operation, and Maintenance of Facilities	5 00	4 98
Payment of General Obligation Bonds	7 65	4 47

Note 4. Accounts Payable

At December 31, 2012, accounts payable in the governmental funds consisted of the following:

	General Fund	Capital Projects Fund	Total
Trade Payables	\$ 15,468	\$ 208,983	\$ 224,451
Construction Retainages	59,879	38,082	97,961
Payable at December 31, 2012	\$ 75,347	\$ 247,065	\$ 322,412

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 5. Capital Assets

Capital assets activity for the year ended December 31, 2012, was as follows

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	\$ 2,775,119	\$ -	\$ -	\$ 2,775,119
Construction in Progress	90,303	979,189	-	1,069,492
Total Capital Assets Not Being Depreciated	2,865,422	979,189	-	3,844,611
Capital Assets Being Depreciated				
Recreational Facilities	10,156,450	-	-	10,156,450
Equipment	279,722	35,644	-	315,366
Total Capital Assets Being Depreciated	10,436,172	35,644	-	10,471,816
Less: Accumulated Depreciation for				
Recreational Facilities	(1,843,058)	(412,164)	-	(2,255,222)
Equipment	(112,332)	(34,312)	-	(146,644)
Total Accumulated Depreciation	(1,955,390)	(446,476)	-	(2,401,866)
Total Capital Assets Being Depreciated - Net	8,480,782	(410,832)	-	8,069,950
Capital Assets - Net	\$11,346,204	\$ 568,357	\$ -	\$11,914,561
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated				
Equipment	\$ 8,185	\$ -	\$ -	\$ 8,185
Less: Accumulated Depreciation for				
Equipment	(1,319)	(546)	-	(1,865)
Total Capital Assets Being Depreciated - Net	\$ 6,866	\$ (546)	\$ -	\$ 6,320

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH**Notes to Financial Statements**

Note 6. Long-Term Debt

The following is a summary of long-term debt of the District for the year ended December 31, 2012

\$1,360,000 General Obligation Bonds dated March 1, 2004, balance due in annual principal installments, starting March 1, 2006, of \$65,000 - \$125,000, plus semi-annual interest payments through March 1, 2019, with interest at 4%	\$ 755,000
\$5,355,000 General Obligation Bonds dated December 1, 2006, balance due in annual principal installments, starting March 1, 2007, of \$10,000 - \$325,000, plus semi-annual interest payments through March 1, 2026, with interest at 3 75% to 4%	4,225,000
\$865,000 General Obligation Bonds dated March 1, 2008, balance due in annual principal installments, starting March 1, 2009, of \$25,000 - \$70,000, plus semi-annual interest payments through March 1, 2028, with interest at 4% to 6%	755,000
\$3,300,000 General Obligation Bonds dated January 1, 2010, balance due in annual principal installments, starting March 1, 2011, of \$100,000 - \$275,000, plus semi-annual interest payments through March 1, 2029, with interest at 2% to 4%	3,095,000
\$750,000 Limited Tax Certificates of Indebtedness dated November 22, 2011, balance due in annual principal, installments starting March 1, 2012, of \$90,000 - \$105,000, plus semi-annual interest payments through March 1, 2019, with interest at 3%	<u>660,000</u>
Total	<u>\$ 9,490,000</u>

The following is a summary of bond transactions of the District for the year ended December 31, 2012

	General Obligation Bonds	Certificates of Indebtedness	Total
Payable at January 1, 2012	\$ 9,330,000	\$ 750,000	\$ 10,080,000
Issued	-	-	-
Retired	(500,000)	(90,000)	(590,000)
Payable at December 31, 2012	<u>\$ 8,830,000</u>	<u>\$ 660,000</u>	<u>\$ 9,490,000</u>
Due Within One Year	<u>\$ 525,000</u>	<u>\$ 85,000</u>	<u>\$ 610,000</u>

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

Notes to Financial Statements

Note 6. Long-Term Debt (Continued)

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long-term bonded debt in excess of 10% of the assessed value of taxable property in the District. At December 31, 2012, the District had not exceeded this statutory limit.

The following is a schedule of future principal debt service requirements:

Year Ending December 31,	General Obligation Bonds		Certificates of Indebtedness		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 525,000	\$ 328,589	\$ 85,000	\$ 18,525	\$ 610,000	\$ 347,114
2014	565,000	309,021	90,000	15,900	655,000	324,921
2015	575,000	287,984	90,000	13,200	665,000	301,184
2016	605,000	258,857	95,000	10,425	700,000	269,282
2017	630,000	242,348	95,000	7,575	725,000	249,923
2018 - 2022	2,770,000	870,329	205,000	6,225	2,975,000	876,554
2023 - 2027	2,555,000	361,313	-	-	2,555,000	361,313
2028 - 2029	605,000	23,240	-	-	605,000	23,240
Total	\$ 8,830,000	\$ 2,681,681	\$ 660,000	\$ 71,850	\$ 9,490,000	\$ 2,753,531

Note 7. Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year ended December 31, 2012, the District carried insurance through various commercial carriers to cover all risks of loss. The District has no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

Note 8. Interfund Receivables/Payables

The primary purpose of interfund receivables/payables is to loan monies between funds to cover current expenditures. All interfund receivables/payables are considered short-term, as they are expected to be repaid within the next fiscal year.

Note 9. Capital Projects Fund - Fund Deficit

At December 31, 2012, the capital projects fund had a fund deficit of \$151,838. This was the result of outstanding payables for the ongoing construction of the outdoor recreation area. Management is aware of the deficit and has indicated that the deficit will be eliminated by transferring sufficient funds to the capital projects fund to pay the outstanding payables.

REQUIRED SUPPLEMENTARY INFORMATION

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH
Schedule of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual - General Fund
For the Year Ended December 31, 2012

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Ad Valorem Taxes	\$ 695,000	\$ 695,000	\$ 977,525	\$ 282,525
State Revenue Sharing	14,400	14,400	17,147	2,747
Earnings on Investments	400	400	335	(65)
Miscellaneous	20,500	20,500	29,423	8,923
Total Revenues	730,300	730,300	1,024,430	294,130
Expenditures				
Administration	661,595	661,595	570,265	91,330
Capital Outlay	68,705	68,705	50,644	18,061
Debt Service - Principal	-	-	90,000	(90,000)
Debt Service - Interest	-	-	9,760	(9,760)
Total Expenditures	730,300	730,300	720,669	9,631
Net Changes in Fund Balance	\$ -	\$ -	303,761	\$ 303,761
Fund Balance, Beginning of Year			1,246,959	
Fund Balance, End of Year			\$1,550,720	

OTHER SUPPLEMENTARY INFORMATION

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

**Schedule of Governing Board
December 31, 2012**

<u>Board of Commissioners</u>	<u>Compensation</u>
Stephen Dwyer #1 Ivy Lane Covington, LA 70433	\$-0-
Lloyd Ostendorf, Jr 213 Highway 21 Madisonville, LA 70447	-0-
Kenneth Dutruch 76397 Highway 1077 Folsom, LA 70437	-0-
Jay de la Houssaye 7 Wren Road Covington, LA 70433	-0-
Paul Melancon 544 Pelican Ridge Road Madisonville, LA 70447	-0-
Chuck Daniel 15100 Dendinger Lane Covington, LA 70433	-0-
David Pittman 106 Post Oak Madisonville, LA 70447	-0-

**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 of Commissioners
Recreation District No. 14 of St. Tammany Parish
Madisonville, 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, the business-type activities, and each major fund of Recreation District No. 14 of St. Tammany Parish ("the District"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiency 2012 - 01, described in the accompanying schedule of findings and responses, to be a material weakness. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and responses as item 2012-01.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The District'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 result of that testing, and not to provide an opinion on the effectiveness of the District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

Covington, LA
June 17, 2013

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

**Schedule of Findings and Responses
For the Year Ended December 31, 2012**

Section I - Internal Control Over Financial Reporting

2012 - 01 Misappropriation of Assets

<i>Criteria</i>	Article 7, Section 14, of the Louisiana Constitution prohibits the use of public funds for private use
<i>Condition</i>	During our audit procedures, we discovered that an employee of the District had misappropriated an estimated \$23,000 over a period spanning from January 2012 through April 2013. Of this amount, an estimated \$17,000 is related to the year ended December 31, 2012.
<i>Cause</i>	Inadequate controls and monitoring of cash receipts related to concession stand revenue deposits
<i>Effect</i>	Misappropriation of public funds
<i>Recommendation</i>	We recommend that the board review the monthly deposit detail for concession revenue. In addition, the deposits should be made by someone other than the individual who counts the receipts. The deposit tickets should be compared to the reconciliation of concession receipts to ensure all of the funds are deposited in the bank.
<i>Management's Response</i>	<p>The District immediately terminated the employee upon discovery of the misappropriation of funds. The District contacted the District Attorney's office, and the St. Tammany Parish Sheriff is investigating the incident. The District has been advised that a restitution plan is a possible outcome of the investigation but no formal plan or resolution has been adopted.</p> <p>The District will work to ensure that this type of activity never occurs again. The District is in the process of implementing the following procedures:</p> <ol style="list-style-type: none">1. Monthly review by the Board of concession revenue and deposits2. Concession deposit receipts will be compared to the reconciliation of concession receipts each day after the deposit is made.

Section II - Compliance and Other Matters

See above finding 2012 - 01

RECREATION DISTRICT NO. 14 OF ST. TAMMANY PARISH

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2012**

2011 - 01 Budget Variance

Condition During testing of compliance with the provisions of certain laws, we noted that the actual expenditures of the general fund exceeded the budgeted amount by 22%

Status This condition has been resolved