

RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH

REPORT ON AUDIT OF
COMPONENT UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Recreational District No. 2 of
Livingston Parish
Livingston Parish Council
Watson, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement of the General Fund of the Recreation District No. 2 of Livingston Parish, State of Louisiana, “the District,” a component unit of the Livingston Parish Council, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund (the General Fund) of the Recreation District No. 2 of Livingston Parish, State of Louisiana as of December 31, 2017, and the respective budgetary comparison for the General Fund and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's December 31, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated June 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 9 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Respectfully submitted,

Hannu J. Bourgeois, CPA

Denham Springs, Louisiana
June 13, 2018

Recreation District No. 2 of Livingston Parish
Watson, LA
Management's Discussion and Analysis
December 31, 2017

This section of the Recreation District No. 2 of Livingston Parish's (the District) annual financial report represents our discussion and analysis of the District's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the detailed financial statements.

FINANCIAL HIGHLIGHTS

- * Net Position on December 31, 2017 and 2016 was \$3,168,270 and \$2,944,440 respectively.
- * The Net Position of the Governmental Activities showed an increase of \$223,830 in 2017, and an increase of \$180,328 in 2016.
- * The total General Fund balance at December 31, 2017 was \$1,307,545. This reflects an increase in 2017 to the General Fund of \$98,508 or 8.15%. In 2016, the General Fund balance increased \$38,562 or 3.29%.
- * At the end of 2017, Unassigned General Fund Balance of \$1,307,545 represents 122% of total General Fund Expenditures.
- * The District's 2017 ad valorem tax revenue increased by 6.44%, while experiencing an increase of 7.57% in 2016. The ad valorem tax revenue totaled \$996,290 in 2017 and \$936,021 in 2016, representing 85.61% and 84.55% of the total revenues in each of the respective years.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

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

The *Statement of Net Position* presents information on all of the District’s assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

The government-wide financial statements can be found on pages 10 - 11 of this report.

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

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 12-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

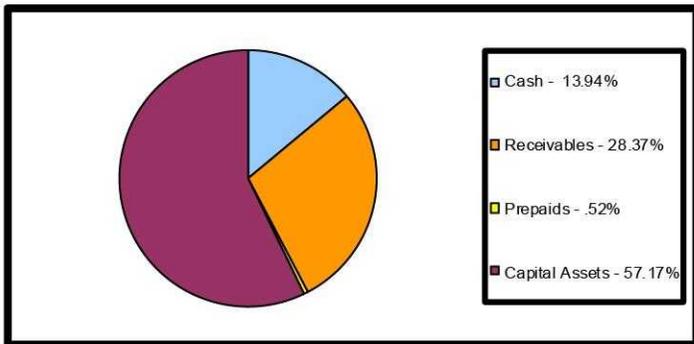
STATEMENT OF NET POSITION

The following is a schedule of the District’s net position at December 31, 2017 and 2016. Net position is calculated by taking the difference between the total assets and total liabilities. The District’s assets exceeded its liabilities at the close of 2017 by a total of \$3,168,270.

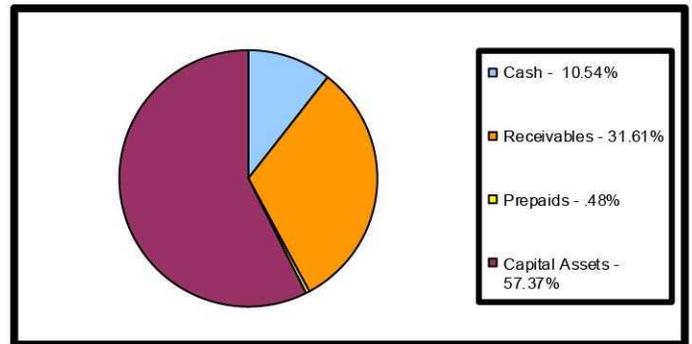
	<u>2017</u>	<u>2016</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents and Investments	\$ 449,419	\$ 316,072	\$ 133,347
Receivable, Net of Allowances	915,090	948,184	(33,094)
Prepaid Expenses	16,866	14,435	2,431
Capital Assets, Net of Accumulated Depreciation	<u>1,843,859</u>	<u>1,720,968</u>	<u>122,891</u>
Total Assets	3,225,234	2,999,659	225,575
Current Liabilities - Due to Government	<u>56,964</u>	<u>55,219</u>	<u>1,745</u>
Total Liabilities	56,964	55,219	1,745
Net Position:			
Net Investment in Capital Assets	1,843,859	1,720,968	122,891
Unrestricted	<u>1,324,411</u>	<u>1,223,472</u>	<u>100,939</u>
Total Net Position	<u><u>\$3,168,270</u></u>	<u><u>\$2,944,440</u></u>	<u><u>\$ 223,830</u></u>

The District’s assets are reflected on the following charts:

2017



2016



STATEMENT OF ACTIVITIES

The District provides recreational facilities, activities and programs for the area citizens. Included in this are both revenue and non-revenue producing activities. Most of the funding for the District's operation and maintenance is provided by property taxes and public based program fees.

Property taxes are the largest source of revenue for the District. The District collects 15 mills for the operation and maintenance of the park system. This money is put into the General Fund and is used to pay for the operation and maintenance of the park system. The operation and maintenance mills must be renewed every ten years. In May 2015, the voters continued the millage for an additional period of 10 years, to the year 2024.

Other sources of revenue for the District include ball field rental fees, concessions, grants, and interest on investments. The following chart shows the major source of revenues and expenses.

Condensed Statement of Activities			
	<u>2017</u>	<u>2016</u>	<u>Increases (Decreases)</u>
Revenues:			
Program Revenues	\$ 157,736	\$ 159,917	\$ (2,181)
General Revenues	<u>1,006,064</u>	<u>947,103</u>	<u>58,961</u>
	1,163,800	1,107,020	56,780
Expenses:			
Parks and Recreation	858,496	839,766	18,730
Depreciation	<u>81,474</u>	<u>86,926</u>	<u>(5,452)</u>
	<u>939,970</u>	<u>926,692</u>	<u>13,278</u>
Change in Net Position	<u>\$ 223,830</u>	<u>\$ 180,328</u>	<u>\$ 43,502</u>

REVENUES

- 2017 Property tax revenue increased \$60,269 or 6.44% from the previous year.
- In 2017, the District received interest income totaling \$9,774 on cash reserves.
- In 2017, the District received no grant revenue.
- In 2017, the District's program and tournament revenue totaled \$132,826 or a 1.7% decrease from the previous year totals.

EXPENSES

Total expenses increased by \$13,278 or 1.4%. This increase was the net of increases in intergovernmental expenses contributing to the majority portion of increase and netting with program expense decreases.

- Salaries and related expenses decreased \$2,067 with a slight decrease in maintenance employees.
- Repairs and maintenance costs decreased by \$4,647.
- Program expenses decreased by \$9,742.
- Bank charges increased by \$7,930 for trust fee increases.
- Insurance and utilities increased by \$3,552.
- Legal and Accounting, Miscellaneous, and Assessor's Pension Fund decreased by \$10,384.
- Intergovernmental transfer increased by \$31,223 due to issuance of new bonds by the Livingston Parish Council for the benefit of the District.

BUDGETARY HIGHLIGHTS

- The final amended budget for revenues reflects an increase of \$95,900. Ad valorem tax revenues were increased by \$101,000 and program and tournament revenue was decreased by \$8,600. Ball field rental revenue was decreased by \$2,000. All other revenue items were increased by a net of \$5,500. Revenues were only slightly impacted by the August Disaster Flood of 2016 adjustments.
- In 2017, the District's actual revenues were greater than the final budget by \$3,200. Ad valorem taxes were adjusted by the assessor realizing more revenues than first forecasted after the August 2016 flood impact continued.
- The final amended budget for expenditures in 2017 reflects an increase of \$29,750. The majority of the budget increase was caused by an approved increase of \$34,400 in intergovernmental transfer amounts caused by issuance of new debt by Livingston Parish Council for the benefit of the District. Capital outlay final budget was increased by \$42,000, due to the re-prioritizing certain capital outlay purchases. Actual capital outlay was less than amended budget by \$12,635, a favorable variance.
- Total actual expenditures and capital outlay were less than final amended budget expenditures by \$28,508, a favorable variance.

CAPITAL ASSETS

Capital assets. The District's investment in capital assets as of December 31, 2017 and 2016, amounts to \$1,843,859 and \$1,720,968, respectively (net of accumulated depreciation). The increase in the District's net investment in capital assets for 2017 was \$122,891 and is composed of a net \$204,365 of additions, less depreciation expense of \$81,474, and with no dispositions.

Major capital asset events during 2017 included the following:

- Purchase of land \$133,136
- Purchase of playground equipment \$16,136
- Purchase of various equipment \$55,093 including lighting and utility vehicle equipment, etc.

FUTURE EXPENSES

The District is committed to previous years' goals of accomplishing proper maintenance to the existing park facilities for the new population demand being experienced. The extreme growth in the number of homeowners in the District and the additional population wishing to use the park facilities will require continued support facilities and future upgrades for parking, etc. Construction of phase one of the master plan expansion of field complexes was completed in 2012. A Cooperative Endeavor agreement between the District and the Parish Council directs the District to transfer amounts to the Livingston Parish Council which in turn will be used to retire the debt. Additional funding was accomplished through the issuance of bonds in 2017 which allowed the District to purchase new land and to start construction on a turf surface on many fields (more improvements from these bond funds will be made in the future). The District also is overseeing the basketball, football, baseball, soccer, kick ball, and other innovation recreation programs in 2018 and beyond. The District is responsible for running the programs and providing facilities to the public to achieve recreational goals. Additional park improvements will be addressed in 2018-2019 as capital improvements. Additional improvements will be made as well in future years involving additional playground equipment, lighting, general equipment upgrades, parking lot improvements, and ultimately a gymnasium (multi-purpose center).

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens and creditors with a general overview of the District's finances and reveal the Recreation District's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, P.O. Box 54, Watson, LA 70786.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

STATEMENT OF NET POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

<u>ASSETS</u>	<u>Governmental Activities</u>	
	2017	2016
Cash and Cash Equivalents	\$ 449,419	\$ 316,072
Property Tax Receivables	874,461	926,822
Accounts Receivable - Other	18,092	272
Due from Primary Government	22,537	21,090
Prepaid Insurance	16,866	14,435
Capital Assets (Net of Accumulated Depreciation)	1,843,859	1,720,968
Total Assets	\$ 3,225,234	\$ 2,999,659
<u>LIABILITIES</u>		
Accounts Payable	\$ 56,964	\$ 55,219
Total Liabilities	56,964	55,219
<u>NET POSITION</u>		
Net Investment in Capital Assets	1,843,859	1,720,968
Unrestricted	1,324,411	1,223,472
Total Net Position	3,168,270	2,944,440
Total Liabilities and Net Position	\$ 3,225,234	\$ 2,999,659

The accompanying notes are an integral part of this statement.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

<u>Governmental Activities:</u>	<u>2017</u>	<u>2016</u>
Expenses:		
Parks and Recreation	\$ 858,496	\$ 839,766
Depreciation	81,474	86,926
Total Expenses	939,970	926,692
Program Revenues:		
Charges for Services	157,736	159,917
Net Program Expense	782,234	766,775
General Revenues:		
Taxes - Property	996,290	936,021
Interest Income	9,774	11,092
Loss on Disposal of Assets	-	(10)
Total General Revenues	1,006,064	947,103
Change in Net Position	223,830	180,328
Net Position - Beginning of Year	<u>2,944,440</u>	<u>2,764,112</u>
Net Position - End of Year	<u><u>\$ 3,168,270</u></u>	<u><u>\$ 2,944,440</u></u>

The accompanying notes are an integral part of this statement.

FUND FINANCIAL STATEMENTS

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

BALANCE SHEET - GENERAL FUND

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents	\$ 449,419	\$ 316,072
Property Tax Receivables	874,461	926,822
Accounts Receivable-Other	18,092	272
Due From Primary Government	22,537	21,090
Total Assets	<u>\$ 1,364,509</u>	<u>\$ 1,264,256</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts Payable	<u>\$ 56,964</u>	<u>\$ 55,219</u>
Total Liabilities	56,964	55,219
Fund Balance:		
Unassigned	<u>1,307,545</u>	<u>1,209,037</u>
Total Fund Balance	<u>1,307,545</u>	<u>1,209,037</u>
Total Liabilities and Fund Balance	<u>\$ 1,364,509</u>	<u>\$ 1,264,256</u>

The accompanying notes are an integral part of this statement.

**RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH**

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION

DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS AS OF DECEMBER 31, 2016)

	<u>2017</u>	<u>2016</u>
Fund Balance - Total Governmental Fund	\$ 1,307,545	\$ 1,209,037
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		
Governmental Capital Assets	2,726,489	2,522,124
Less: Accumulated Depreciation	<u>(882,630)</u>	<u>(801,156)</u>
	1,843,859	1,720,968
Prepaid Insurance	<u>16,866</u>	<u>14,435</u>
Net Position of Governmental Activities	<u><u>\$ 3,168,270</u></u>	<u><u>\$ 2,944,440</u></u>

The accompanying notes are an integral part of this statement.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GENERAL FUND**

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
Revenues:		
Ad Valorem Tax, Net	\$ 996,290	\$ 936,021
Ballfield Rental	4,195	6,070
Program Revenue	81,838	60,570
Tournament Revenue	50,988	74,549
Interest	9,774	11,092
Concessions	16,723	15,229
Miscellaneous	3,992	3,499
Total Revenues	1,163,800	1,107,030
Expenditures:		
Parks and Recreations:		
Payroll and Payroll Taxes	174,951	175,918
Commissioner Per Diem	6,300	7,400
Bank Charges	8,000	70
Insurance	25,553	21,977
Legal and Accounting	25,668	29,470
Miscellaneous	920	8,074
Assessor's Pension Fund	38,701	38,129
Program Expenses	109,593	119,335
Rent	2,808	2,649
Repairs and Maintenance	118,663	123,310
Supplies and Small Equipment	5,603	2,689
Travel	359	-
Intergovernmental Transfer	296,352	265,129
Utilities	47,456	47,480
	860,927	841,630
Capital Outlay	204,365	228,288
Total Expenditures	1,065,292	1,069,918
Excess of Revenues over Expenditures	98,508	37,112
Other Financing Sources:		
Proceeds from Sale of Assets	-	1,450
Total Other Financing Sources	-	1,450
Net Change in Fund Balance	98,508	38,562
Fund Balance at Beginning of Year	1,209,037	1,170,475
Fund Balance at End of Year	\$ 1,307,545	\$ 1,209,037

The accompanying notes are an integral part of this statement.

**RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
Net Change in Fund Balance - Total Governmental Fund	\$ 98,508	\$ 38,562
<p>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 as depreciation expense.</p>		
Capital Outlays	204,365	228,288
Depreciation Expense	(81,474)	(86,926)
Add accumulated depreciation on capital assets retired during the year	-	87,749
Less cost basis of capital assets retired during the year	-	(89,209)
Change in Prepaid Insurance	2,431	1,864
Change in Net Position of Governmental Activities	\$ 223,830	\$ 180,328

The accompanying notes are an integral part of this statement.

**RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues:				
Ad Valorem Tax, Net	\$ 891,000	\$ 992,000	\$ 996,290	\$ 4,290
Ballfield Rental	6,200	4,200	4,195	(5)
Program Revenue	69,000	84,400	81,838	(2,562)
Tournament Revenue	75,000	51,000	50,988	(12)
Interest	8,000	9,000	9,774	774
Concessions	15,000	16,000	16,723	723
Miscellaneous	500	4,000	3,992	(8)
Total Revenues	1,064,700	1,160,600	1,163,800	3,200
Expenditures:				
Parks and Recreation:				
Payroll and Payroll Taxes	195,500	178,000	174,951	3,049
Commissioner Per Diem	8,400	7,000	6,300	700
Bank Charges	1,650	8,000	8,000	-
Insurance	24,000	24,000	25,553	(1,553)
Legal and Accounting	32,500	31,500	25,668	5,832
Miscellaneous	3,000	4,200	920	3,280
Assessor's Pension Fund	38,000	39,500	38,701	799
Program Expenses	133,000	112,000	109,593	2,407
Rent	-	3,000	2,808	192
Repairs and Maintenance	133,000	117,200	118,663	(1,463)
Supplies and Small Equipment	1,500	6,700	5,603	1,097
Travel	-	400	359	41
Intergovernmental Transfer	262,000	296,400	296,352	48
Utilities	56,500	48,900	47,456	1,444
	889,050	876,800	860,927	15,873
Capital Outlay	175,000	217,000	204,365	12,635
Total Expenditures	1,064,050	1,093,800	1,065,292	28,508
Excess of Revenues over Expenditures	650	66,800	98,508	31,708
Fund Balance at Beginning of Year	1,209,037	1,209,037	1,209,037	-
Fund Balance at End of Year	\$ 1,209,687	\$ 1,275,837	\$ 1,307,545	\$ 31,708

The accompanying notes are an integral part of this statement.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2017

(1) Summary of Significant Accounting Policies -

The Recreation District No. 2 “the District” is a corporate body created by the Livingston Parish Council as provided by Louisiana Revised Statutes. The District is governed by a board of five commissioners who are appointed by the Livingston Parish Council.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 30, 2017, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 61, the District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the funds maintained by the Recreation District and do not present information on the Council and the general government services provided by that governmental unit.

B. Basis of Presentation

Basic Financial Statements - Government-Wide Statements

The Recreation District’s basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District’s major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the District categorized as a business-type activity.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

In the government-wide Statement of Net Position, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc.).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

The District uses the following fund type:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2017, it is the only fund of the District.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual -

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of property taxes, charges for services and interest income. Interest income is recorded when earned. Property taxes are recorded as revenues when levied even though a portion of the taxes may be collected in subsequent years.

2. Modified Accrual -

The governmental funds financial statements are presented on 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 that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A sixty day availability period is used for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

D. Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays costing at least \$1,000 and significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Buildings	20 to 40 years
Parking Area	20 years
Fencing, Lighting, Bleachers and Equipment	5 to 30 years
Vehicles	5 years

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Administrative Secretary prepares the annual budget which is based on what is expected to be collected and/or levied during the fiscal year and is approved by the Board. The adopted budget constitutes the authority of the Recreation District No. 2 to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment.

All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year.

F. 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 and expenses during the reporting period. Actual results could differ from those estimates.

G. Summary Financial Information for 2016 and Reclassification

The financial statements include certain prior year summarized information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Certain items in the 2016 columns have been reclassified to conform to the presentation in the current year financial statements. Such reclassifications had no effect on previous reported excess of revenues and other sources over expenditures and other uses or change in net position.

H. Fund Balance

In accordance with the provisions of Governmental Accounting Standards Board Statement No. 54, the District presents the following classification of fund balances in the governmental fund financial statements:

Nonspendable - Amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of the state or federal laws, or externally imposed conditions by grantors or creditors.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Committed - Amounts that can only be used for specific purposes determined by a formal action of the District. These amounts cannot be used for any other purpose unless the District removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned - Amounts that are designated as committed by the District but are not spendable until a budget resolution is passed.

Unassigned - All amounts not included in other spendable classifications; positive amounts are only in the general fund. The District has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum balance.

The details of the fund balances are included in the Balance Sheet - Governmental Funds. Restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the District or the Assignment has been changed by the District. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

(2) Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash and cash equivalents totaling \$453,526 with a carrying amount of \$449,419 at December 31, 2017. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The following is a summary of cash and cash equivalents at December 31, 2017:

	<u>Book Balance</u>	<u>Bank Balance</u>
Cash Held	\$ 700	\$ -
Demand Deposits and Savings Accounts	448,719	453,526
	<u>\$ 449,419</u>	<u>\$ 453,526</u>

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. To mitigate this risk, state law requires for these deposits (or the resulting bank balances) to be secured by federal deposit insurance or the pledge of securities by the fiscal agent bank. The market value of the pledged

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

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. The pledged securities are deemed by Louisiana State Law to be under the control and possession and in the name of the District regardless of its designation by the financial institution in which it is deposited. As of December 31, 2017, none of the District's bank balance of \$453,526 was exposed to custodial credit risk.

(3) Property Taxes -

On May 2, 2015, an election was held whereby the voters of Recreation District No. 2 of Livingston Parish approved the renewal of the 10 year 15.00 mill ad valorem tax assessed on all property subject to taxation within the District for the purpose of "constructing, improving, maintaining, and operating the District's recreational facilities governed by the District." This assessment began in the year 2015 and will end with the year 2024.

Normally, property taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year. For 2016, taxes were levied in December 2016 and were due by February 24, 2017 and became delinquent on February 25, 2017. The delay was due to the August 2016 flooding event that required the Livingston Parish Assessor to reassess property taxes due to the severe and widespread damage throughout Livingston Parish caused by the flooding.

The District's taxes are collected by the Livingston Parish Tax Collector and are remitted to the District monthly. Total taxes assessed and taxes receivable at December 31, 2017 are as follows:

Revenues:	
Assessed Valuation	\$ 65,922,711
x Assessed Millage	<u> x 15.00M</u>
Ad Valorem Taxes Assessed	988,841
Less: Estimated Uncollectible	<u> (24,721)</u>
Net Current Year Ad Valorem Tax	964,120
Additional Prior Year Taxes Collected in 2017	<u> 32,170</u>
Ad Valorem Tax Revenues	<u><u> \$ 996,290</u></u>
Receivable:	
Net Current Year Ad Valorem Taxes	\$ 964,120
Less: Amounts Collected Before December 31	<u> (89,659)</u>
Property Tax Receivable, Net of Allowance	<u><u> \$ 874,461</u></u>

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(4) Changes in Capital Assets -

Capital asset activity for the year ended December 31, 2017 is as follows:

<u>Governmental Activities</u>	Balance <u>December 31, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31, 2017</u>
Capital Assets not being Depreciated:				
Land	\$ <u>591,943</u>	\$ <u>133,136</u>	\$ <u>-</u>	\$ <u>725,079</u>
Total Capital Assets not being Depreciated	591,943	133,136	-	725,079
Capital Assets being Depreciated:				
Building	982,533	-	-	982,533
Parking Area	171,902	-	-	171,902
Fencing, Lighting, Bleachers, and Equipment	763,746	71,229	-	834,975
Vehicles	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
Total Capital Assets being Depreciated	1,930,181	71,229	-	2,001,410
Less Accumulated Depreciation for:				
Building	160,909	38,815	-	199,724
Parking Areas	144,296	1,755	-	146,051
Fencing, Lighting, Bleachers, and Equipment	487,751	39,704	-	527,455
Vehicles	<u>8,200</u>	<u>1,200</u>	<u>-</u>	<u>9,400</u>
Total Accumulated Depreciation	<u>801,156</u>	<u>81,474</u>	<u>-</u>	<u>882,630</u>
Total Capital Assets being Depreciated, Net	<u>1,129,025</u>	<u>(10,245)</u>	<u>-</u>	<u>1,118,780</u>
Total Governmental Activities Capital Assets, Net	<u>\$1,720,968</u>	<u>\$ 122,891</u>	<u>\$ -</u>	<u>\$1,843,859</u>

Depreciation expense for the year ended December 31, 2017 is \$81,474 as reported in the Statement of Activities.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(5) Changes in Long-Term Debt -

The District has no long term debt outstanding at December 31, 2017. See Note 10 concerning outstanding bonds issued in the name of the Livingston Parish Council and the proceeds used to expand and improve facilities of the District.

(6) Leases -

The District leases certain equipment for maintenance and repairs as the need arises. Total lease expense for the year ended December 31, 2017 is \$2,808.

(7) Compensated Absences, Pension Plan, and Other Postemployment Benefits -

At December 31, 2017, the District has no plan or provision for compensated absences, pension plan or other post employment benefits.

(8) Per Diem Paid Board Members -

Each member of the Board of Commissioners is eligible to receive a per diem allowance for attending each regular or special meeting of the board. In 2017, the per diem allowance was \$100 per meeting. All Board Members serve five year terms. Per diems paid to the board members for the year was as follows:

Russell Erwin (Term expires February 13, 2022)	\$ 700
James Hood (Term expires February 13, 2020)	1,100
Tracey McRae (Term expires February 13, 2018)	900
Chris Prescott (Term expires November 22, 2021)	1,200
James Clark (Term expires February 13, 2018)	800
Brett Beard (Term expires February 13, 2023)	600
Bobbi Guerin (Term expires February 13, 2019)	<u>1,000</u>
	<u>\$ 6,300</u>

(9) Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer -

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by Chairman of the Board of Directors, who was the acting agency head for the year ended December 31, 2017.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

Purpose	Board Chairman
	Russell Erwin
Per diem	\$ 700
Benefits-insurance	-
Benefits-retirement	-
Reimbursements	-
Travel	-
Registration fees	-
	\$ 700

(10) Commitment -

On April 9, 2008, the Board of Commissioners of the District voted to adopt a Resolution requesting for the Parish of Livingston to proceed with a bond issue not to exceed \$5,000,000 through the Louisiana Local Government Environmental Facilities and Community Development Authority in order to provide funds for the District to acquire, design, construct, and develop public parks, playgrounds, and recreational properties and facilities within the District. The Board of Commissioners also voted to authorize entering into a Local Service Agreement between the Parish of Livingston and the District, in accordance with the provisions of Louisiana Revised Statutes 33:1321 – 1337, which provides for financing agreements between political subdivisions. On August 13, 2008 the Board voted to authorize the sale of \$4,455,000 in bonds for the facility expansion and other costs related to the issuance of the debt. These bonds were issued on September 4, 2008 with scheduled maturities through 2038. The bonds were issued in the name of the Livingston Parish Council and are recorded on the books of the Livingston Parish Council. The Livingston Parish Council administered the construction funds as they were spent on the construction of the new recreational facilities. According to the provisions of the Local Service Agreement, the Parish agreed to deposit the proceeds of the bonds into a construction account to enable the District to finance the Projects, fund the reserve fund for the bonds and pay the cost of issuance of the bonds while the District agreed to pay the payment obligations to the Trustee, on behalf of the Parish, in accordance with the debt covenant requirements of the loan from current ad valorem tax revenues. The various projects related to this bond issue were completed during 2011.

On February 11, 2015, the Board of Commissioners of the District 2 voted to adopt a Resolution requesting for the Parish of Livingston to proceed with a bond issue not to exceed \$4,375,000 through the Louisiana Local Government Environmental Facilities and Community Development Authority in order to provide funds to refund all or a portion of the outstanding Revenue Bonds, Series 2008, and to authorize entering into a Local Service Agreement between the Parish of Livingston and the District, in accordance with the provisions of Louisiana Revised Statutes 33:1321 - 1337, which provides for financing agreements between political subdivisions. On December 17, 2015, the Livingston Parish Council issued \$3,820,000 Local Government Environmental Facilities and Community Development Authority Revenue Refunding Bonds

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

(Livingston Parish, Louisiana – Live Oak Sports Complex Project), Series 2015 for the purpose of refunding a portion of the 2008 Series Bonds maturing in the years 2019-2038 (including all sinking fund payments associated therewith), funding the Reserve Fund for the Bonds, and paying the costs of issuance of the Bonds. The net proceeds of \$3,767,788 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2008 Series bonds. As a result, \$3,590,000 of the 2008 Series Bonds were considered in-substance defeased and the District no longer has a commitment for the defeased portion of 2008 Series Bonds. At December 31, 2017, \$3,590,000 of defeased bonds are still outstanding. This advance refunding was undertaken to decrease total debt service payments over the next 23 years by \$360,687 and resulted in an economic gain of \$172,959.

On April 12, 2017, the Board of Commissioners of the District voted to adopt a Resolution requesting for the Parish of Livingston to proceed with a bond issue not to exceed \$2,000,000 through the Louisiana Local Government Environmental Facilities and Community Development Authority in order to provide funds for the District to acquire, design, construct, and develop public parks, playgrounds, and recreational properties and facilities within the District. The Board of Commissioners also voted to authorize entering into a Local Service Agreement between the Parish of Livingston and the District, in accordance with the provisions of Louisiana Revised Statutes 33:1321 – 1337, which provides for financing agreements between political subdivisions. On June 14, 2017, the Board voted to authorize the Parish of Livingston to proceed with a financing amount not to exceed \$2,000,000 in bonds for the facility expansion and other costs related to the issuance of the debt. Bonds in the amount of \$1,860,000 were issued on July 18, 2017 with scheduled maturities through 2044. The bonds were issued in the name of the Livingston Parish Council and are recorded on the books of the Livingston Parish Council. The Livingston Parish Council will administer the construction funds as they were spent on the construction of the new recreational facilities and purchases of land. According to the provisions of the Local Service Agreement, the Parish agreed to deposit the proceeds of the bonds into a construction account to enable the District to finance the Projects and pay the cost of issuance of the bonds while the District agreed to pay the payment obligations to the Trustee, on behalf of the Parish, in accordance with the debt covenant requirements of the loan from current ad valorem tax revenues. During 2017, the District purchased land for future expansion and started a park improvement project with the funds.

For the year ended December 31, 2017, a total of \$296,352 was paid by the District to the Livingston Parish Council for sinking fund payments. A total of \$9,897,386 is anticipated to be paid to the trustee on behalf of the Livingston Parish Council by the District by the end of 2044 as provided by the Local Service Agreements. As of December 31, 2017, a total of \$8,940,687 is outstanding and due to the Livingston Parish Council.

For the Series 2008, Series 2015, and Series 2017 Bonds, the remaining annual requirements of principal and interest for sinking fund payments from operations per the Local Service Agreements are as follows:

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Annual Sinking Fund</u>
2018	\$ 130,000	\$ 213,696	\$ 343,696	\$ 337,876
2019	140,000	200,740	340,740	341,444
2020	145,000	197,853	342,853	341,828
2021	145,000	194,778	339,778	340,448
2022	150,000	191,790	341,790	341,944
2023-2027	825,000	885,625	1,710,625	1,710,900
2028-2032	995,000	709,475	1,704,475	1,704,214
2033-2037	1,205,000	502,074	1,707,074	1,707,369
2038-2042	1,450,000	261,733	1,711,733	1,726,268
2043-2044	505,000	25,873	530,873	418,196
	<u>\$5,690,000</u>	<u>\$3,383,637</u>	<u>\$9,073,637</u>	8,970,487
Less:				
Funds Available in Debt Service Reserve Fund				<u>(29,800)</u>
Total Remaining Commitment				<u>\$8,940,687</u>

(11) Current Accounting Pronouncements -

In November 2016, the Governmental Accounting Standards Board issued GASB Statement No 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This Statement requires similar disclosures for a government's minority shares of AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

In March 2017, the Governmental Accounting Standards Board issued GASB Statement No 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Specifically, this Statement addresses the following topics:

- Blending a component unit in circumstances in which the primary government is a business-type activity that reports in a single column for financial statement presentation
- Reporting amounts previously reported as goodwill and "negative" goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating interest earning investment contracts at amortized cost
- Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus
- Recognizing on-behalf payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

In May 2017, the Governmental Accounting Standards Board issued GASB Statement No 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2017

recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation (or, if applied to earlier periods, the beginning of the earliest period restated). However, lessors should not restate the assets underlying their existing sales-type or direct financing leases. Any residual assets for those leases become the carrying values of the underlying assets.

Management is currently evaluating the effects of the new GASB pronouncements.

(12) Subsequent Events -

Management has evaluated subsequent events and transactions for potential recognition or disclosures in the financial statements through June 13, 2018, the date which the financial statements were available to be issued.

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

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

Board of Commissioners
Recreation District No. 2 of
Livingston Parish
Livingston Parish Council
Watson, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund (the General Fund), and the budgetary comparison statement of the major fund of Recreation District No. 2 of Livingston Parish (the District) a component unit of the Livingston Parish Council, 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, and have issued our report thereon dated June 13, 2018.

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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency, described in the accompanying schedule of findings and responses as item 2017-1 that we consider to be a significant deficiency.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are included in the accompanying schedule of findings and responses. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 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; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 13, 2018

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

SCHEDULE OF FINDINGS AND RESPONSES

DECEMBER 31, 2017

Current Year Findings:

(A) Findings - Internal Control Over Financial Reporting

Finding 2017-1 Timely Deposit of Receipts:

Criteria:

Cash and check receipts should be deposited in a timely manner.

Condition:

During the current year testing of tournament revenue, we noted an instance where a bank deposit of cash received during the tournament event was not deposited until five days after the last day of the event. The deposit consisted of startup cash for the tournaments plus actual gate cash receipts. The deposit was in excess of \$15,000.

Effect:

Cash receipts not being deposited on a timely basis could result in the risk of loss from burglary, misplacement, or misappropriation. In addition, the funds are not available to the District to use to pay operating expenditures.

Cause:

Due to not depositing cash receipts in a timely fashion, the District could experience a theft of cash.

Recommendation:

We recommend the District implement procedures to require daily deposits of cash in excess of cash needed for gate start up during tournaments. At a minimum, the funds should be deposited the following day. Promptly depositing the excess funds would lessen the amount of actual cash on hand to ensure that all cash receipts are deposited intact and in a timely manner.

Management's Response:

The District's board revised the internal control policy in July 2015 to tighten the Director's timeframe to deposit cash received from a tournament event from 7 banking days (original policy set on November 2014) to a safer 72 hour period standard. The Manager has improved adherence to adopted policies this year, however, on several occasions it took 5 banking days to reconcile the deposits for the large tournaments revenue and actually deposit into the bank account. The board agrees with the audit comment

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)

DECEMBER 31, 2017

that cash deposits from tournament collections should be deposited more timely from this point forward. The Director now has support staff to assist in following the 72 hour standard for depositing the large amounts of cash generated on these four or five events per year. Also, the Director will be directed henceforth, to complete the initial cash received deposit within the 72 hour standard first, then balance all the proceeds from checks and other payments after depositing the documented cash amount regarding the large tournament events.

(B) Findings Compliance and Other Matters

None.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

DECEMBER 31, 2017

(A) Findings - Internal Control Over Financial Reporting

Finding 2016-1 Timely Deposit of Cash Receipts:

Criteria:

Cash and check receipts should be deposited in a timely manner.

Condition:

In the prior year testing of tournament revenue, we noted several instances where bank deposits of cash received during the various events were not deposited until up to five days after the last day of the event. The deposits consisted of startup cash for the tournaments plus actual gate cash receipts. Several deposits were in excess of \$20,000.

Effect:

Cash receipts not being deposited on a timely basis could result in the risk of loss from burglary, misplacement, or misappropriation. In addition, the funds are not available to the District to use to pay operating expenditures.

Recommendation:

We recommended the District implement procedures to require daily deposits of cash in excess of cash needed for gate start up during tournaments. At a minimum, the funds should be deposited the following day. Promptly depositing the excess funds would lessen the amount of actual cash on hand to ensure that all cash receipts are deposited intact and in a timely manner.

Management's Response:

The District's board revised the internal control policy in July 2015 to tighten the Director's timeframe to deposit cash received from a tournament event from 7 banking days (original policy set on November 2014) to a safer 72 hour period standard. The Manager has improved adherence to adopted policies this year, however, on several occasions it took 5 banking days to reconcile the deposits for the large tournaments revenue and actually deposit into the bank account. The board agrees with the audit comment that cash deposits from tournament collections should be deposited more timely from this point forward. The Director now has support staff to assist in following the 72 hour standard for depositing the large amounts of cash generated on these four or five events per year.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)

DECEMBER 31, 2017

Additional Finding:

We have noted improvements in policies and procedures and in actual deposits of receipts related registrations and rentals. However, we noted an instance during the current year testing of tournament revenue where a bank deposit of cash received during the event was not deposited until up five days after the last day of the event. See Finding 2017-1.

(B) Findings - Compliance and Other Matters

None.

RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

DECEMBER 31, 2017

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Independent Accountant's Report
on Applying Agreed-Upon Procedures

Board of Commissioners
Recreational District No. 2 of
Livingston Parish
Livingston Parish Council
Watson, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Recreation District No. 2 of Livingston Parish, State of Louisiana, "the District," a component unit of the Livingston Parish Council, and the Louisiana 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 1, 2017 through December 31, 2017. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. 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. – **No Exceptions.**
 - 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.

Exception - The District does have written policies and procedures for purchasing but it does not specifically address how vendors are added to the vendor list. Also, while the written policies and procedure address documentation requirements on quotes and bids, the procedures do not outline the dollar thresholds requiring quotes and the bids which would assist in compliance with public bid laws.

- c) **Disbursements**, including processing, reviewing, and approving. – **No Exceptions.**
- d) **Receipts**, including receiving, recording, and preparing deposits. – **No Exceptions.**
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **No Exceptions.**
- 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. – **No Exceptions.**
- 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

Exception – The District does have written policies and procedures for purchasing and disbursements but policies do not specifically address credit cards. Although the written procedures do not specifically address credit cards, purchases are required to go through approval processes for disbursements and checks require two signatures.

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

Exception – The District does have written policies and procedures for purchasing and disbursements but policies do not specifically address travel and expense reimbursements. Although the written procedures do not specifically address travel and expense reimbursements, purchases are required to go through approval processes for disbursements and checks require two signatures.

- 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.

Exception – The District does not appear to have written policies and procedures related to ethics. However, they do require employees to take the annual ethics training.

- j) **Debt Service**, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. –

Exception – The District does have written policies and procedures for purchasing and disbursements but policies do not specifically address debt service.

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. – **No Exceptions.**
 - 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). – **No Exceptions.**
 - (1) 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. – **No Exceptions.**
 - 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. – **No Exceptions.**

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete. – **No Exceptions.**
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. 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. - **No Exceptions.**
 - 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

Exception – Effective December 1, 2017, bank reconciliations started being reviewed and initialed by the chairman of the board. Prior to the November 2017 bank reconciliation, bank reconciliations were being prepared but they did not indicate evidence of a review.

No corrective action needed.
 - 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.

Exception – On the operating bank account reconciliation, we noted several outstanding checks that were more than 6 months old as of December 31, 2017, and the reconciling items did not appear to have documentation reflecting that they had been researched.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. – **No Exceptions.**
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. **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.

Exception – The District's insurance policies do not appear to cover all persons involved in collecting cash.

- 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.

Exception – The District does have written procedures. Due to the limited number of employees, the Director and/or assistant may collect the cash receipts and prepare the reconciliation. Deposits are handled by the administrative secretary.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
 - (1) 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. –

Exception – The District does not stamp the date received on collections so we couldn't determine the number of days from physical receipt to deposit on several items. For one item related to a tournament collection, we noted the tournament occurred on Saturday, March 4 and Sunday, March 5, 2017, and the deposit was posted to the bank account on Friday, March 10, 2017. For this transaction, it appears that there was a 5 day difference between physical collection and actual deposit.

- (2) 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. – **No Exceptions.**

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. – **No Exceptions.**

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. – **No Exceptions.**
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.

The District’s does not utilize a formal requisition/purchase order system. Invoices are approved in the payment process and all checks require dual signatures.

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

The District’s does not utilize a formal requisition/purchase order system. Invoices are approved in the payment process and all checks require dual signatures.

- c) Payments for purchases were not processed without 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.

Exception – According to the District’s procedures, the Director is to approve invoices and/or supporting documentation via signature prior to submission to third party accountant for payment processing. For the transactions we tested, we did not note prior signature approval on the invoices. However, all checks were signed by two check signers indicating approval.

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.

Exception – A third party outside accountant handles processing payments and adds vendors to the accounting system. The mitigating control is that the authorized check signers review and approve payments and physically sign all checks.

No corrective action is required.

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.

Exception – The Director is an authorized check signer and can initiate transactions. However, the mitigating controls are that the Director can not generate payments or record transactions. Also, all checks requires two signatures and all authorized check signers physically sign checks.

No corrective action is required.

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. – **No Exceptions.**
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. – **A signature stamp and/or signature machine is not 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. – **No Exceptions.**
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.

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.

Exception – The District’s only charge card is a Home Depot card. There was no physical approval noted on the monthly statement. However, the disbursement check was signed by two check signers indicating approval.

- b) Report whether finance charges and/or late fees were assessed on the selected statements. – **No Exceptions.**

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:
- (1) An original itemized receipt (i.e., identifies precisely what was purchased).
Exception – One transaction did not have the actual itemized receipt but the statement contained the itemized detail of the original receipt.
 - (2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating. – **No Exceptions:** The District’s only charge card is a Home Depot card.
 - (3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.) – **No Exceptions.**
- 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. – **No Exceptions.**
- 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. – **No Exceptions.**

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. – **No Exceptions.**
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.
- Exception** – The District does have written policies and procedures for purchasing and disbursements but policies do not specifically address travel and expense reimbursements. Although the written procedures do not specifically address travel and expense reimbursements, purchases are required to go through approval processes for disbursements and checks require two signatures.
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. – **No Exceptions.**
- b) Report whether each expense is supported by:
 - (1) 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.].– **No Exceptions.**
 - (2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating). – **No Exceptions.**
 - (3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

Note: Although the written policies and procedures for purchasing and disbursements do not specifically address travel and expense reimbursements, purchases are required to go through approval processes for disbursements and checks require two signatures. Two signatures were noted on the copy of the disbursement checks.
- 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. – **No Exceptions.**
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **No Exceptions.**

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. – **No Exceptions.**
- 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. – **No Exceptions.**
 - 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:

- (1) 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) – **No Exceptions.**
 - (2) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice. – **No Exceptions.**
- 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. – **The contracts selected for testing were not amended.**
 - 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 invoices and related payments complied with terms and conditions of contracts.**
 - 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). – **The board reviews and approves.**

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:
 - 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. – **No Exceptions.**
 - 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. – **No Exceptions.**
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.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - 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.

Exception – The two salaried employees of the District are not required to prepare time sheets each pay period. The hourly employees do prepare time cards and they are approved each pay period. The District does not have a formal leave policy and formal leave request forms are not used. The Chairman of the board verbally approves leave request for the salaried employees. The salaried employees are the only employees that would qualify for paid time off. The District does not maintain written leave records.

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. – **No Exceptions.**
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. - **No Exceptions.**

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. – **No Exceptions.**
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. **No alleged ethics violations or allegations received.**

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. **State Bond Commission approval was obtained on debt issued during the year.**
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. **The District made scheduled debt service payments. Debt reserves are maintained by the Livingston Parish Council.**
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. **The District does not have a tax millage dedicated specifically for debt service. The District can and does use a portion of it's general tax millage for debt service.**

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. – **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. – **Notice posted on premises and on 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.**

Management's Response/Corrective Action to Exceptions

The District's responses to the exceptions identified in our performance of the SAUPs are attached. The District's responses were not subjected to the any procedures applied in the SAUPs and, accordingly, we express no opinion or any assurance on them.

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

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

Respectfully submitted,

Harris J. Bourgeois, CPA

Denham Springs, Louisiana
June 13, 2018

LIVINGSTON PARISH RECREATION DISTRICT 2
P.O. BOX 54
WATSON, LOUISIANA 70786

6-11-18

Livingston Parish Recreation District 2
RESPONSE to 2017 Financial Audit AUP findings: 2017
(10 categories, 69 areas)

The District hereby agrees to refine current procedures or implement written procedures regarding the below noted AUP findings:

1. Written Policies and Procedures:

Item 1 (b) **Purchasing** The District will update the policies to include more detail procedures for adding vendors to the purchasing vendor list.

Item 1 (g) **Credit Card usage** The District will update the policies to address credit card usage.

Item 1 (h) **Travel/Expense Reimbursement** The District will update the policies to address travel and expense reimbursement.

Item 1 (i) **Ethics** The District will consider updates to the policies to include ethics. Additionally, the District will have employees and elected officials attest through signature annually that they have read the District's ethics policy.

Item 1 (j) **Debt Service** The District will consider adding a written debt service policy.

2. Board – Finance Committee

No exceptions, no comments.

3. Bank Reconciliation

Item 4 (c) **Outstanding Checks** The District will research several checks that are outstanding for greater than 6 month time frame for resolution.

4. Collections

Item 6 (a) **Bonding for individuals handling cash**

The District has obtained quotes for Employee theft insurance coverage and is working on binding coverage for the policy.

Item 6 (b) **Cash collection reconciliation formal process**

The District will adjust policies to formally reconcile all cash receipts and prepare a reconciliation for each when performed.

Item 6 (c) **Collection documentation**

The District will change procedures to include date stamping all receipts or receipt reports when funds are received.

5. Disbursements-General

Item 9 (c) **Payments of purchases without approval or purchase orders**

The District will update the policies to include more detail procedures for purchasing including Manager's approval documented on all invoices prior to submission for payment.

6. Credit Cards

Item 15 (a) **Monthly card statement approval**

The District will require the monthly statements are signed by the Manager indicating his review and approval of each credit card charge line item posted on the account on a monthly basis.

Item 16 (a) **Credit Card transactions**

The District will require all charge receipts to be approved and attached to monthly account statements.

7. Travel Expense Reimbursement

Item 18 **No written reimbursement policy**

The District will update the policies to address travel and expense reimbursements

8. Contracts

No exceptions, no comments.

9. Payroll and Personnel

Item 23 (c) **Written Leave Records and Formal Leave Form**

The District has requested examples of leave request forms for the Board's consideration and the Manager will maintain written leave records.

10. Ethics violations

No exceptions, no comments.

11. Other No exceptions, no comments



Chris Prescott, Chairman
Livingston Parish Recreation District 2