

Recreation District No. 3 of Tangipahoa Parish
Amite, Louisiana

Annual Financial Statements

As of and for the Year Ended December 31, 2019
With Supplementary Information



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

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

Annual Financial Report
As of and for the Year Ended December 31, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Recreation District No. 3 of Tangipahoa Parish, (the "District") component unit of the Tangipahoa Parish Government, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Recreation District No. 3 of Tangipahoa Parish, as of December 31, 2019, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analyses that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

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

The accompanying schedules listed as Other Supplementary Information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules listed as Other Supplementary Information in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, on our consideration of the Recreation District No. 3 of Tangipahoa Parish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Recreation District No. 3 of Tangipahoa Parish's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bruce Harrell & Co." with a stylized flourish at the end.

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

June 26, 2020

BASIC FINANCIAL STATEMENTS

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

Statement A

Statement of Net Position
December 31, 2019

Governmental
Activities

Assets

Current Assets:

Cash and Cash Equivalents	\$	647,812
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Restricted Assets:

Cash and Cash Equivalents		1,577,434
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Accounts Receivable, Net		481,392
--------------------------	--	---------

Capital Assets, Net		1,599,605
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Total Assets		4,306,243
--------------	--	-----------

Deferred Outflow of Resources

Deferred charge on refunding		598,696
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Total Deferred Outflow of Resources		598,696
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Liabilities

Accounts Payable		1,920
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Accounts Payable - Payable from restricted assets		155,402
---	--	---------

Accrued Interest - Payable from restricted assets		40,318
---	--	--------

Pension Fund Mandate Payable - Payable from restricted assets		17,651
---	--	--------

Long - Term Debt - Current		86,475
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Long - Term Debt - Non Current		3,758,704
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Total Liabilities		4,060,470
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Net Position

Net Investment in Capital Assets		(327,233)
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Restricted for Debt Service and Capital Projects		525,810
--	--	---------

Unrestricted		645,892
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Total Net Position	\$	844,469
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The accompanying notes are an integral part of this statement.

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

Statement B

STATEMENT OF ACTIVITIES
For the year ended December 31, 2019

Governmental Activities

Expenses

Parks and Recreation services:

Salaries	\$ 12,000
Payroll Taxes	1,047
Auditing	4,300
Accounting	14,000
Legal	10,660
Insurance	994
Miscellaneous	979
Office Expense	234
Official Journal	612
Per Diem - Board	975
Pension Fund Mandate	17,651
Interest Expense	187,294
Depreciation Expense	167
Total Expense	<u>250,913</u>

Program Revenues

Parks and Recreation services:

Fees, Fine, and Other Charges for Service	-
Capital Grant	<u>48,338</u>
Total Program Revenues	<u>48,338</u>
Net Program (Expenses)	<u>(202,575)</u>

General Revenues

Ad Valorem Taxes	452,112
State Revenue Sharing	18,427
Interest Earnings	39,330
Miscellaneous	<u>42</u>
Total General Revenues	<u>509,911</u>
Change in Net Position	307,336

Net Position - Beginning of year	<u>537,133</u>
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Net Position - End of year	<u>\$ 844,469</u>
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The accompanying notes are an integral part of this statement.

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

Statement C

Balance Sheet
Government Fund
December 31, 2019

	<u>General Fund</u>
Assets	
Cash and Cash Equivalents	\$ 647,812
Accounts Receivable, Net	481,392
Restricted Cash and Cash Equivalents	<u>1,577,434</u>
Total Assets	<u>\$ 2,706,638</u>
 Liabilities	
Accounts Payable	\$ 157,322
Pension Fund Mandate Payable	<u>17,651</u>
Total Liabilities	<u>174,973</u>
 Fund Balance	
Restricted For Debt Service and Capital Projects	1,885,773
Unassigned	<u>645,892</u>
Total Fund Balances	<u>2,531,665</u>
 Total Liabilities and Fund Balances	<u>\$ 2,706,638</u>

The accompanying notes are an integral part of this statement.

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

Statement D

Reconciliation of the Governmental Fund Balance Sheet to
the Government - Wide Statement of Net Position
December 31, 2019

Total Fund Balance, Governmental Fund(Statement C)	\$	2,531,665
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Amounts reported for governmental activities in the statement of net position are different because:

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

Governmental capital assets, net of depreciation		1,599,605
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Deferred outflows of resources are not available to pay for current - period expenditures and, therefore are not reported in the funds statements.		598,696
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Some liabilities are not due and payable from current resources therefore, are not reported in the governmental funds:

Accrued Interest		(40,318)
Limited Tax Revenue and Refunding Bonds payable		(3,805,000)
Premium on Bonds payable		(40,179)

Net Position of Governmental Activities (Statement A)	\$	<hr style="border-top: 1px solid black;"/> 844,469 <hr style="border-top: 3px double black;"/>
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The accompanying notes are an integral part of this statement.

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

Statement E

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2019

	General Fund
Revenues	
Ad Valorem Taxes	\$ 452,112
State Revenue Sharing	18,427
Interest Income	39,330
Miscellaneous	42
Grant Revenues	48,338
Total Revenues	<u>558,249</u>
Expenditures	
Parks and Recreations:	
Salaries	12,000
Payroll Taxes	1,047
Auditing	4,300
Accounting	14,000
Legal	10,660
Insurance	994
Miscellaneous	979
Office Expense	234
Official Journal	612
Per Diem - Board	975
Pension Fund Mandate	17,651
Debt Service - Principal	85,000
Debt Service - Interest	167,145
Capital Outlay	750,676
Total Expenditures	<u>1,066,273</u>
Net Change in Fund Balance	(508,024)
Fund Balance - Beginning of the Year	<u>3,039,689</u>
Fund Balance - End of the Year	<u>\$ 2,531,665</u>

The accompanying notes are an integral part of this statement.

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

Statement F

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

For the Year Ended December 31, 2019

Net Change in Fund Balance - Total Governmental Funds (Statement E)	\$	(508,024)
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Amounts reported for governmental activities in the statement of activities are different because:

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

Capital outlay	750,676	
Less: Current year depreciation	(167)	750,509

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

Repayment of bond principal	85,000
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Interest expense differs from the amount reported in governmental funds as follows:

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	346
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Deferred outflow of resources related to the advance refunding of debt is being amortized (and recorded to interest expense).	(21,970)
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Bond premiums are being amortized (and recorded to interest expense)	<u>1,475</u>
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Change in Net Position of Governmental Activities (Statement B)	\$	<u>307,336</u>
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The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

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

NOTES TO THE FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2019

Introduction

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

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

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

1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

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

B. Financial Reporting Entity

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

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

C. Fund Accounting

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

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

Governmental funds

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

D. Measurement Focus / Basis of Accounting

Basic Financial Statements – Government-Wide Financial Statements

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

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

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

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

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

The District had deferred outflows of resources at December 31, 2019, in the amount of \$598,696 related to the advance refunding of debt in 2017 (See Note 1J and Note 8 for further discussion on the refunding).

The District previously implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*.

Basic Financial Statements - Governmental Funds

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

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

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

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

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

E. Deposits and Investments

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

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

In accordance with state law, the District limits investments to those allowed under R.S. 33:2955. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. The District had no investments at December 31, 2019.

F. Receivables

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

G. Restricted Assets

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

H. Inventory

The District utilizes the "purchase method" of accounting for supplies, whereby expendable operating supplies are recognized as expenditures when purchased. The District had no inventory at December 31, 2019.

I. Capital Assets

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

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

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

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

J. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Paragraph 187 of GASB Statement 62 establishes standards of accounting and financial reporting for debt issuance costs. Paragraph 12 of Statement 7 indicates that debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses).

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

The District has previously implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and with the implementation of GASB 65, the recognition of bond-related costs, including the costs related to issuance and refunding of debt, were revised. This standard was intended to complement GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are now expensed in the period incurred under GASB 65. The District incurred and expensed \$48,597 in bond issuance costs associated with the issuance of Limited Tax Revenue and Refunding Bonds, Series 2017 in the year ending December 31, 2017. See further discussion on the bond issuance in *Note 6 - Long Term Obligations* and *Note 8 - Dedication of Proceeds and Flow of Funds*.

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

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

For the year ending December 31, 2017, the District issued \$3,970,000 in Limited Tax Revenue and Refunding Bonds, Series 2017 for the purpose of refunding the District's outstanding bonds, funding a reserve fund, and paying the costs of issuance of the bonds. The District reported \$598,696 in deferred outflows of resources at December 31, 2019, related to the difference between the reacquisition price and the net carrying amount of the old debt for advance refunding resulting in defeasance of debt during the year ending December 31, 2017, less amortization of such amount. See further discussion on the refunding of bonds in *Note 8 - Dedication of Proceeds and Flow of Funds*.

K. Net Position

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

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

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

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

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

The District has restricted Net Position related to bond restrictions and a grant award.

L. Fund Balance

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

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

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

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

The District has Restricted Fund Balance due to bond restrictions and a grant award.

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

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

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

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

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

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

M. Estimates

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

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

N. Ad Valorem Taxes

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

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

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The District uses the following budget practice:

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

The budget for the fiscal year ended December 31, 2019, was originally adopted on November 13, 2018.

The budget was only amended once during the fiscal year. The amendment was adopted on December 17, 2019.

3. DEPOSITS AND INVESTMENTS

Cash and cash equivalents and investments as of December 31, 2019, are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 647,812
Restricted cash and cash equivalents	1,577,434
Total cash and cash equivalents and investments	\$ <u>2,225,246</u>

Deposits and investments as of December 31, 2019, consist of the following:

Interest-bearing deposits	\$ 2,225,246
Total deposits and investments	\$ <u>2,225,246</u>

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Custodial credit risk as it relates to cash deposit is the risk that in the event of bank failure, the government's deposits may not be returned. The District does not have a formal policy for custodial credit risk. At December 31, 2019, the District has \$2,225,246 in deposits (collected bank balances). Of these deposits, \$1,577,434 are related to the issuance and related construction costs of the District's Limited Tax Bonds. Under the terms of the agreement with Whitney Bank, the bank maintains control of the funds and disburses funds in accordance with bond documents and at the District's request. These funds are fully collateralized by the Trust Department of the respective bank. Of the remaining deposits of \$647,812, \$250,000 is secured from risk by Federal deposit insurance and the remaining \$397,812 is covered by pledge securities. The \$397,812 is exposed to custodial credit risk because while the amount is secured by pledge securities, such securities are held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

4. Receivables

Receivables are all current as follows:

	Total
Tangipahoa Parish Sheriff:	
Ad Valorem Taxes	\$ 451,583
State Revenue Sharing	12,285
Grant	27,524
Less: Allowance for Uncollectible	(10,000)
Accounts Receivable, Net	<u>\$ 481,392</u>

5. Capital Assets

The following is a summary of changes in capital assets for the ended December 31, 2019:

	Balance 01/01/19	Increases	Decreases	Balance 12/31/19
<u>Governmental Activities</u>				
Capital assets not depreciated:				
Land and land improvements	\$ 564,552	\$ -	\$ -	\$ 564,552
Construction in progress	283,933	750,676	-	1,034,609
Total capital assets, not depreciated	<u>848,485</u>	<u>750,676</u>	<u>-</u>	<u>1,599,161</u>
Capital assets, being depreciated:				
Equipment	<u>833</u>	<u>-</u>	<u>-</u>	<u>833</u>
Total capital assets, being depreciated	<u>833</u>	<u>-</u>	<u>-</u>	<u>833</u>
Less: Accumulated depreciation:				
Equipment	<u>222</u>	<u>167</u>	<u>-</u>	<u>389</u>
Total accumulated depreciation	<u>222</u>	<u>167</u>	<u>-</u>	<u>389</u>
Total capital assets, being depreciated, net	<u>611</u>	<u>(167)</u>	<u>-</u>	<u>444</u>
Governmental activities capital assets, net	<u>\$ 849,096</u>	<u>\$ 750,509</u>	<u>\$ -</u>	<u>\$ 1,599,605</u>

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

6. Long -Term Obligations

A. The following is a summary of changes in long-term obligations for the year ended December 31, 2019:

<u>Governmental Activities:</u>	<u>Balance 1/1/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/19</u>	<u>Due Within One Year</u>
Series 2017: Limited Tax and Refunding Bonds	\$ 3,890,000	\$ -	\$ 85,000	\$ 3,805,000	\$ 85,000
Debt Issuance Premium	41,654	-	1,475	40,179	1,475
	<u>\$ 3,931,654</u>	<u>\$ -</u>	<u>\$ 86,475</u>	<u>\$ 3,845,179</u>	<u>\$ 86,475</u>

B. Bonds:

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

\$3,805,000

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

C. Debt Service Requirements to Maturity

The annual requirements to amortize the Limited Tax and Refunding Bonds debt outstanding as of December 31, 2019, including interest, are as follows:

	<u>Principal</u>	<u>BONDS Interest</u>	<u>Total</u>
2020	\$ 85,000	\$ 160,403	\$ 245,403
2021	90,000	158,406	248,406
2022	90,000	156,156	246,156
2023	90,000	153,681	243,681
2024	95,000	150,906	245,906
2025-2029	525,000	704,644	1,229,644
2030-2034	625,000	595,281	1,220,281
2035-2039	770,000	447,125	1,217,125
2040-2046	1,435,000	264,797	1,699,797
TOTAL	<u>\$ 3,805,000</u>	<u>\$ 2,791,400</u>	<u>\$ 6,596,400</u>

Interest expense of \$167,145 in the general fund for the year consisted of \$167,145 paid on the 2017 bonds. Additionally, interest expense for governmental activities of \$187,294 includes a \$346 change in accrued interest on the 2017 bonds, \$21,970 amortization of deferred outflow, and \$1,475 of amortization of premium

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

7. Ad Valorem Taxes

For the year ended December 31, 2019, taxes were levied on property with taxable assessed valuations totaling \$31,147,649.

Total taxes levied were \$467,221. At December 31, 2019, the ad valorem tax receivable was \$451,583. The ad valorem taxes receivable at December 31, 2019, is recorded net of a \$10,000 allowance for uncollectible taxes.

8. Dedication of Proceeds and Flow of Funds

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

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

On March 29, 2017, the District issued \$3,970,000 in Limited Tax and refunding Bonds, Series 2017 (\$2,785,000 new money bonds (limited tax revenue) and \$1,185,000 refunding bonds), at a premium of \$44,235 for the purpose of refunding the Series 2016 outstanding bonds, funding a reserve fund, and paying the costs of issuance of the bonds. The bonds issued with premium included \$1,189,676 in refunding bonds and premium and \$2,842,559 in new money bonds (limited tax revenue bonds) and premium. \$1,096,407.50 of the total Series 2017 bond proceeds plus \$10,107,266.06 of reserve and construction funds of the Series 2016 bonds were used to purchase US government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for the 2017 to 2046 debt service payments on the Series 2016 bonds. These bonds maturing April 1, 2027, and thereafter will be called for redemption on April 1, 2026 at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to which interest has been paid or duly called for. As a result, the \$9,405,000 outstanding 2016 Series bonds were considered in-substance defeased and the liability for those bonds was removed from the District's books at December 31, 2017. The District reported \$659,114 in deferred outflows of resources related to the difference between the reacquisition price and the net carrying amount of the old debt for current and advance refunding resulting in defeasance of debt. At December 31, 2019, the District had \$598,696 of unamortized deferred outflow of resources.

As of December 31, 2019, the District was in compliance with all bond covenants.

9. Litigation

There is no litigation pending against the District at December 31, 2019.

10. Commitments

As of December 31, 2019, the District had one professional services contract and one construction contract.

The professional services contract is with Newell Engineering, LLC for engineer services and to act as the resident project manager. The engineering fee is based off of a percentage of the total construction cost. The estimated total construction cost is \$2,398,900. The estimated engineering fee on the contract is \$204,530; \$149,362 has been paid or is payable thru December 31, 2019. There is a remaining commitment balance of \$55,168.

The construction contract is with Merrick, LLC. The total cost of the contract is \$716,800. \$704,950 has been paid or is payable as of December 31, 2019. There is a remaining commitment balance of \$11,850.

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

Notes to the Financial Statements
As of and for the Year Ended December 31, 2019

11. Tax Abatements

The Louisiana Industrial Ad Valorem Tax Exemption Program (ITEP) is an original state incentive program which offers attractive tax incentive for manufacturers within the state. The program abates, for up to ten years, local property taxes (ad valorem) on a manufacturer's new investment and annual capitalized additions related to the manufacturing site. The exemption is granted per contract with the Louisiana Department of Economic Development and will specify the buildings and / or personal property items covered by the exemption. There are currently sixty-six tax abatements in Tangipahoa Parish, related to seventeen companies, under the Louisiana ITEP. For the 2019 calendar year, the estimated forgone ad valorem taxes due to this abatement program was \$9,629.45.

12. Subsequent events

Subsequent to December 31, 2019, the following events occurred :

In March 2020, the COVID-19 virus began spreading throughout the United States. On March 22, 2020, Louisiana Governor John Bel Edwards issued a stay-at-home order limiting person-to-person contact and closing many non-essential businesses. Management has evaluated the possible impact of this situation and does not believe that this will have a significant negative impact on the continuing operations of the District.

On May 19, 2020, the District awarded a contract to Brunt Construction in the amount of \$1,682,100 for the Phase 1 part 2 construction of the park.

Subsequent events have been evaluated by management thru June 26, 2020, the date the financial statements were available for issuance. No other events were noted requiring recording or additional disclosure in the financial statements for the year ending December 31, 2019.

REQUIRED SUPPLEMENTARY INFORMATION
(Part II)

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

Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget (GAAP Basis) and Actual
Governmental Fund Type-General Fund
For the year ending December 31, 2019

Schedule 1

	Original Budget	Final Amended Budget	Actual Amounts GAAP Basis	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Ad Valorem Taxes	\$ 430,000	\$ 430,000	\$ 452,112	\$ 22,112
State Revenue Sharing	18,000	18,000	18,427	427
Interest and Investment Earnings	8,500	8,500	39,330	30,830
Grant Revenues	247,900	100,000	48,338	(51,662)
Miscellaneous Revenues	-	-	42	42
Total Revenues	<u>704,400</u>	<u>556,500</u>	<u>558,249</u>	<u>1,749</u>
Expenditures				
Parks and Recreations:				
Salaries	12,000	12,000	12,000	-
Payroll Taxes	1,200	1,200	1,047	153
Auditing	6,300	6,300	4,300	2,000
Accounting	14,000	14,000	14,000	-
Legal	20,000	20,000	10,660	9,340
Grant Writer	-	-	-	-
Insurance	1,500	1,500	994	506
Miscellaneous	1,000	1,000	979	21
Office Expense	2,000	2,000	234	1,766
Official Journal	1,000	1,000	612	388
Per Diem- Board	1,500	1,500	975	525
Pension Fund Mandate	16,500	16,500	17,651	(1,151)
Debt Service-Principal	85,000	85,000	85,000	-
Debt Service-Interest	168,000	168,000	167,145	855
Capital Outlay	<u>2,100,000</u>	<u>727,501</u>	<u>750,676</u>	<u>(23,175)</u>
Total Expenditures	<u>2,430,000</u>	<u>1,057,501</u>	<u>1,066,273</u>	<u>(8,772)</u>
Net Change in Fund Balance	(1,725,600)	(501,001)	(508,024)	(7,023)
Fund Balance at Beginning of Year	<u>3,037,558</u>	<u>3,039,689</u>	<u>3,039,689</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,311,958</u>	<u>\$ 2,538,688</u>	<u>\$ 2,531,665</u>	<u>\$ (7,023)</u>

OTHER SUPPLEMENTARY INFORMATION

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

SCHEDULE OF COMPENSATION, REIMBURSEMENTS, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
For the Year Ended December 31, 2019

Agency Head: Tanya Warren (January-April 2019), Chairman of the Board
John Smith (May-December 2019), Chairman of the Board

Compensation paid as commissioner per diem for the year ended December 31, 2019

Tanya Warren	\$75
John Smith	\$175

Recreation District No. 3 of Tangipahoa Parish
(A Component Unit of the Tangipahoa parish Government)
SCHEDULE OF COMPENSATION PAID TO BOARD MEMBERS
For the year ended December 31, 2019

	<u>Term</u>	<u>Term Expires</u>	<u>Compensation Paid</u>
Brandon Andrews 200 LaSare Drive Amite, LA 70422 985-517-6180	2	April 2020	\$ -
Gerald Giardina 603 Tobey Drive Amite, LA 70422 985-507-7070	1	April 2021	250
Wayne Johnson 507 South Street Amite, LA 70422 985-662-4148	1	April 2021	250
Tanya Warren 302 Pecan Street Amite, LA 70422 985-969-2437 (term expired April 2019)	2	April 2019	75
John Smith PO Box 1275 Amite, LA 70422 985-517-1397	1	April 2022	250
B.T. Callihan 611 Suzanne Drive Amite, LA 70422 985-517-9917 (term began August 2019)	1	April 2023	75
Jimmy Ebarb 58464 Hwy 51 Amite, LA 70422 985-748-2563 (term began April 2019) (resigned August 2019)	1	N/A	75
			<u>\$ 975</u>

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

Bruce C. Harrell, CPA

Kristi U. Bergeron, CPA
Jessica H. Jones, CPA
Brandy W. Garcia, CPA
Charles L. Johnson, CPA

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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 FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Recreation District No. 3 of Tangipahoa Parish, Amite, Louisiana, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Recreation District No. 3 of Tangipahoa Parish's basic financial statements, and have issued our report thereon dated June 26, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

BRUCE HARRELL AND CO., CPAs

CERTIFIED PUBLIC ACCOUNTANTS

A professional accounting corporation

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Recreation District No. 3 of Tangipahoa Parish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2019-C1.

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

Recreation District No. 3 of Tangipahoa Parish's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Recreation District No. 3 of Tangipahoa Parish's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



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

June 26, 2020

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Section I Summary of Auditor's Results

Financial Statements

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

Unmodified ☒ Qualified ☐
Disclaimer ☐ Adverse ☐

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

Internal Control:

Material Weaknesses ☐ Yes ☒ No Significant Deficiencies ☐ Yes ☒ No

Compliance:

Noncompliance Material to Financial Statements ☒ Yes ☐ No

Federal Awards - NA

Internal Control over major federal Programs:

Material Weaknesses ☐ Yes ☐ No Significant Deficiencies ☐ Yes ☐ No

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

Unmodified ☐ Qualified ☐
Disclaimer ☐ Adverse ☐

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

☐ Yes ☐ No

Was a management letter issued?

☐ Yes ☒ No

Identification of Major Programs:

CFDA Number (s)

Name of Federal Program (or Cluster)

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

Is the auditee a 'low-risk' auditee? ☐ Yes ☐ No

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Findings and Responses
For the Year Ended December 31, 2019**

Section II Financial Statement Findings

Finding Number: 2019-C1 Local Budget Act (noncompliance)

Criteria: LRS 39:1305 requires a comprehensive budget be prepared for each fiscal year for the general fund by the chief executive or administrative officer or equivalent. The budget document must include a budget message and a statement. The budget must include a budget message signed by the budget preparer which should include a summary description of the proposed financial plan, policies, and objective, assumptions, budgetary basis, and a discussion of the most important features. LRS 39:1310 requires amending the budget when the governing authority has received notification pursuant to R.S. 39:1311 (when total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more; when total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more; or when actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures), or there has been a change in operations upon which the original budget was adopted.

Condition: For the year ending December 31, 2019, the District adopted a budget for the general fund, but it did not include the budget message.

Cause: The budget message was not prepared along with the 2019 budget.

Effect: Apparent noncompliance with the above referenced statutes.

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

Management's Response: The District has implemented the auditor recommendation within the 2020 budget, which was adopted in 2019. It included the required budget message. Further, in the future, the District will continue to comply with all the requirements of the Local Budget Act.

Section III Federal Award Findings and Questioned Costs

No Section III Findings

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2019**

Section I Internal Control and Compliance Material to the Financial Statements

Finding Number: 2018-C1 Local Budget Act (noncompliance)

Criteria: LRS 39:1305 requires a comprehensive budget be prepared for each fiscal year for the general fund by the chief executive or administrative officer or equivalent. The budget document must include a budget message and a statement. The budget must include a budget message signed by the budget preparer which should include a summary description of the proposed financial plan, policies, and objective, assumptions, budgetary basis, and a discussion of the most important features. LRS 39:1310 requires amending the budget when the governing authority has received notification pursuant to R.S. 39:1311 (when total revenue and other sources plus projected revenue and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more; when total actual expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more; or when actual beginning fund balance, within a fund, fails to meet estimated beginning fund balance by five percent or more and fund balance is being used to fund current year expenditures), or there has been a change in operations upon which the original budget was adopted.

Condition: For the year ending December 31, 2018, the District adopted a budget for the general fund, but it did not include the budget message. Additionally, while the District did not have unfavorable variances above 5% requiring written notice and amendment, the District did have significant variance in expenditures from budgeted expenditures due to a delay in bidding out the project.

Cause: The budget message was not prepared along with the budget. Additionally, the District did not incur the capital outlay for the year it had budgeted.

Effect: Apparent noncompliance with the above referenced statutes.

Recommendation: The District should prepare, submit and approve a comprehensive budget in accordance with the referenced statutes, including the budget message. The budget should also ensure that the budget is amended in accordance with the referenced statutes.

Management's Response: In the future, the District will comply with all the requirements of the Local Budget Act.

Current Year Status: Partially repeated as part of Finding 2019-C1.

Finding Number: 2018-C2 Ethics Training (noncompliance)

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

Condition: The District did not have documentation of the required ethics training for one of the five board members for the year ending December 31, 2018. The District did provide a certificate for the individual for 2019.

Cause: Failure to complete training.

Effect: Apparent noncompliance with the above referenced statutes.

**Recreation District No. 3 of Tangipahoa Parish
Schedule of Prior Year Findings and Responses
For the Year Ended December 31, 2019**

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

Management's Response: Ethics training will be required to be completed and documentation of completion to be provided to the Secretary by October 1 of each year. The Secretary will follow up monthly with those who have not completed the training until training is completed before December 31.

Current Year Status: Resolved.

Section II Internal Control and Compliance Material to Federal Awards

No Section II Findings.

Section III Management Letter

No Section III Findings.

This schedule was prepared by management.

Recreation District No. 3 of Tangipahoa Parish
Amite, Louisiana

Statewide Agreed-Upon Procedures

As of and for the Year Ended December 31, 2019



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Independent Accountant's Report on Applying Agreed-Upon Procedures

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

We have performed the procedures enumerated below, which were agreed to by the Recreation District No. 3 of Tangipahoa Parish (Entity) and the Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 01, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUP's.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
 - k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Written policies and procedures were obtained and address the categories and subcategories noted above.

Board or Finance Committee

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

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Board meeting were scheduled monthly. The board met (with a quorum) monthly except one month due to no quorum.

Management's Response: Board meetings were scheduled each month and board members were sent text reminders 24 hours before the meeting date.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Observed. No exceptions noted.

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No negative unassigned fund balance observed in prior year audit report.

Bank Reconciliations

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

Obtained listing and management's representation that the listing is complete. Management identified the entity's main operating account. All accounts selected as less than five. One month randomly selected and corresponding bank statement and reconciliation were obtained from entity and inspected.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Observed. No exceptions noted.

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

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

Management's Response: Beginning immediately, a Board Member who does not have check signing authority will review the bank reconciliations; that review will be evidenced by initialing and dating the front of the bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

No items outstanding for more than 12 months were noted; therefore, this is not applicable.

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

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Listing obtained and management's representation that the listing is complete was obtained. All locations selected as less than 5.

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

Listing obtained and job duties obtained. No exceptions noted.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

No exceptions noted.

- b) At least two employees are involved in processing and approving payments to vendors.

No exceptions noted.

- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

No exceptions noted.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

No exceptions noted.

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

Listing obtained and management's representation that the listing is complete was obtained. Random selections made and supporting documentation obtained.

- a) Observe that the disbursement matched the related original invoice/billing statement.

No exceptions noted.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

No exceptions noted.

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

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

Listing obtained and management's representation that the listing is complete was obtained. None in 2019 and as such, no additional procedures.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete.

Listing obtained and management's representation that the listing is complete was obtained. None in 2019 and as such, no additional procedures.

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

Listing obtained and management's representation that the listing is complete was obtained. All selected as less than 5.

- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

Observed. No exceptions noted.

- b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

Observed. No exceptions noted.

- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.

Observed. No exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Observed. No exceptions noted.

Ethics

20. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials and obtain ethics documentation from management, and:

Listing obtained and management's representation that the listing is complete was obtained. Random selections made and ethics documentation obtained.

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Observed. No exceptions noted.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period

No such specific documentation. However, the District's ethics policy was approved by the Board in December 2018 with the District's Secretary present to take minutes. Of the current Board, three were Board members at that time and present at that meeting. The Secretary is the only employee of the District and the Board are the only officials.

Management's Response: The District's ethics policy is a reflection of the required annual ethics training as per the Louisiana Board of Ethics. Board Members and the employee turned in the Certificate of Completion from the Louisiana Board of Ethics for 2019. The District failed to get signatures from all concerned to evidence that they had read the District's ethics policy. Beginning in 2020, the sole employee and the board members will be required to sign a document stating that they have read the District's ethics policy. The secretary will be required to maintain this document and to ensure that all required persons have made the annual certification.

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

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



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

June 26, 2020