

Financial Report
Mid-City Security District
December 31, 2019

TABLE OF CONTENTS

Mid-City Security District New Orleans, Louisiana

December 31, 2019

	<u>Page Numbers</u>
Financial Section	
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 9
Exhibits	
Basic Financial Statements:	
Government-wide Financial Statements:	
A - Statement of Net Position	10
B - Statement of Activities	11
Fund Financial Statements:	
C - Governmental Fund Balance Sheet	12
D - Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
E - Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	14
F - Reconciliation of the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance of the to the Statement of Activities	15
G - Notes to Financial Statements	16 - 25
Schedules	
Required Supplementary Information	
1 - Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	26
2 - Note to Required Supplementary Information - Budgetary Reporting	27

TABLE OF CONTENTS (Continued)

Mid-City Security District New Orleans, Louisiana

December 31, 2019

Page
Numbers

Schedules (Continued)

Other Supplementary Information

3 - Schedule of Compensation, Benefits, and Other Payments To Agency Head or Chief Executive Officer	28
---	----

Special Reports of Certified Public Accountants

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	29 - 30
Schedule of Findings and Responses	31 - 32

Reports by Management

Schedule of Prior Year Findings and Responses	33
Management's Corrective Action Plan	34

Statewide Agreed-Upon Procedures (R.S. 24:513)

Independent Accountant's Report on Applying Agreed-Upon Procedures	35 - 37
--	---------

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Mid-City Security District,
New Orleans, Louisiana.

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Mid-City Security District (the "District"), 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 an opinion 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 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 misstatements 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 controls. 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Mid-City Security District as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance 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 Management's Discussion and Analysis on pages 4 through 9, and the required supplementary information on pages 26 and 27, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying supplementary information, on page 28, is presented for purposes of additional analysis and is required by Louisiana Revised Statute 24:513 (A)(3), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 3, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mid-City Security District
New Orleans, Louisiana

December 31, 2019

The Management's Discussion and Analysis (MD&A) of the Mid-City Security District (the "District"), financial performance presents a narrative overview and analysis of the District's financial activities as of and for the year ended December 31, 2019. It identifies changes in the District's overall financial position and results of operations and assists the user in determining whether the financial position has improved or deteriorated as a result of the year's operations. It also identifies any significant variations from the original budget amounts and includes any currently known reasons for those variations that are expected to have a significant effect on future services or liquidity; and identifies individual issues or concerns. The MD&A focuses on the current year's activities, resulting changes, and currently known facts.

The information contained within this MD&A should be considered only as part of a greater whole. The readers of the MD&A should read and evaluate all sections of this report, including the notes to financial statements and required supplemental information section (RSI) that are provided in addition to this MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the District's basic financial statements. The District's financial report consists of four parts: (1) MD&A (this section), (2) basic financial statements, (3) required supplementary information, and (4) special reports by certified public accountants and management.

The basic financial statements include two kinds of statements that present different views of the District:

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. Under this format, all governmental activities are consolidated into columns which add to a total for the governmental entity. For the District, only governmental activities are included in the presentation. Accordingly, there is no "totals" column in the presentation.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

Government-Wide Financial Statements (Continued)

- a. The Statement of Net Position presents information on all of the District's assets and liabilities using the accrual basis of accounting, in a manner similar to the accounting used by private business enterprises. The difference between the assets and liabilities is reported as the net position. Over time, increases or decreases in the net position (and changes in the components of net position) may serve as a useful indicator of whether the financial position of the District is improving or weakening.
- b. The Statement of Activities presents information showing how the District's net position changed during the years. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. The format for the Statement of Activities presents the expenses for each function reduced by the program revenues directly related to the program to determine net program expenses.

Fund Financial Statements

A fund is a grouping of related accounts that are used to maintain control over resources which have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The District uses one categories of funds to account for financial transactions: governmental 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. 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund (the "General Fund"). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement, page 26, and the note to budgetary reporting have been provided for the General Fund to demonstrate compliance with this budget. The basic governmental fund financial statements can be found on pages 10 through 15 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**Notes to the Financial Statements**

The notes to the financial statements 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 starting on page 16 of this report.

FINANCIAL HIGHLIGHTS

The financial statements provide details of the current year operations summarized as follows:

- The governmental activities reported total ending fund balance of \$282,007. This compares to the prior year ending fund balance of \$435,873 showing a decrease of \$153,866 during the current year.
- During the year, the District generated fees and other revenues of \$982,564 that were \$153,866 less than the \$1,136,430 of expenses.
- Program revenues decreased by \$54,808 or approximately 5.28% from the prior year.
- Total expenses increased by \$123,128 or approximately 12.15% from the prior year.

Statement of Net Position and Statement of Activities

Presented below are condensed Statements of Net Position and Statements of Activities for the District. The condensed format allows the reader to view the overall financial position of the District. Explanations of the components of the statements are included immediately following the statements.

Condensed Statements of Net Position

	Total Governmental		Increase (Decrease)	Percentage Change
	2019	2018		
Cash and other current assets	<u>\$397,328</u>	<u>\$458,318</u>	<u>\$ (60,990)</u>	-13.31%
Liabilities	<u>115,321</u>	<u>22,445</u>	<u>92,876</u>	413.79%
Net position:				
Restricted	<u>\$282,007</u>	<u>\$435,873</u>	<u>\$(153,866)</u>	-35.30%

FINANCIAL HIGHLIGHTS (Continued)**Statement of Net Position and Statement of Activities (Continued)****Condensed Statements of Activities**

	Total Governmental Activities		Increase (Decrease)	Percentage Change
	2019	2018		
Revenues:				
Parcel Fees	\$ 977,071	\$1,031,360	\$ (54,289)	-5.26%
Interest income	5,493	6,012	(519)	-8.63%
Total revenues	<u>982,564</u>	<u>1,037,372</u>	<u>(54,808)</u>	-5.28%
Expenses:				
Crime prevention and security	<u>1,136,430</u>	<u>1,013,302</u>	<u>123,128</u>	12.15%
Increase (decrease) in net position	(153,866)	24,070	(177,936)	-739.24%
Beginning net position	<u>435,873</u>	<u>411,803</u>	<u>24,070</u>	5.85%
Ending net position	<u>\$ 282,007</u>	<u>\$ 435,873</u>	<u>\$(153,866)</u>	-35.30%

Parcel fees decreased by \$54,289 in 2019 as compared to 2018. Expenses for the District increased by \$123,128 in 2019 as compared to 2018. The expenses were higher in 2019 mainly due to an increase in patrol and security services.

The District's net position decreased by \$153,866 as a result of this year's operations. The overall financial position decreased from the prior year. The balance in net position represents the accumulated results of all past years' operations. The District's total revenues for the year were \$982,564. All revenues were charges for services and interest income. The total cost of all programs and services was \$1,136,430 with no new programs added this year.

Financial Analysis of Governmental Funds

The District maintains only one "governmental fund" - the General Fund. The General Fund Balance Sheet is on page 12 of this report and the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance are on page 14 of this report.

Under the modified-accrual basis for fund financial statements, the emphasis is on accounting for current financial resources of the District. The analysis in this section includes a discussion of the General Fund financial statements.

FINANCIAL HIGHLIGHTS (Continued)**Financial Analysis of Governmental Funds (Continued)**

As of December 31, 2019, the General Fund reported total fund balance of \$282,007, a decrease of \$153,866 from the prior year total fund balance. This decrease is due to expenditures of \$1,136,430 exceeding revenues of \$982,564. The District is focused on reducing expenditures in order to maintain a positive fund balance. The District will maintain spending levels at or below revenues.

Analysis of the General Fund Budget

The budget for the General Fund was as follows:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
Revenues:				
Program revenues	\$1,044,000	\$1,044,000	\$ -	0.00%
Interest income	<u>3,000</u>	<u>3,000</u>	<u>-</u>	0.00%
Total revenues	1,047,000	1,047,000	-	0.00%
Expenditures:				
Patrol and security services	991,500	990,000	(1,500)	-0.15%
Insurance	20,000	20,000	-	0.00%
Professional fees	15,500	20,500	5,000	32.26%
Newsletter	-	10,000	10,000	100.00%
City collection fee	10,000	10,000	-	0.00%
Equipment	5,000	5,000	-	0.00%
Other operating expenses	<u>5,000</u>	<u>5,000</u>	<u>-</u>	0.00%
Total expenditures	<u>1,047,000</u>	<u>1,060,500</u>	<u>13,500</u>	1.29%
Excess of revenue over expenditures	-	(13,500)	(13,500)	
Beginning fund balance	<u>400,000</u>	<u>435,873</u>	<u>35,873</u>	8.97%
Ending fund balance	<u>\$ 400,000</u>	<u>\$ 422,373</u>	<u>\$ 22,373</u>	5.59%

When the budget for the year ended December 31, 2019 was originally prepared, revenues and expenditures were reflected in a conservative manner. The budget was amended to reflect an increase in expenses. The expected increases materialized and actual expenditures approximated the amended budget.

FINANCIAL HIGHLIGHTS (Continued)

Economic Factors and Next Year's Budget

The District must consider many variables when budgeting for the coming fiscal year. Included in these factors are changing laws and regulations, economic circumstances, and historical trends.

A summary of the current budget for the year ending December 31, 2020 follows:

Condensed Budget

Revenue	\$1,038,500
Expenditures:	
Operations	<u>1,059,030</u>
Excess of revenues over expenditures	(20,530)
Beginning fund balance	<u>425,000</u>
Ending fund balance	<u>\$ 404,470</u>

The District's major source of funding is parcel fees. For the year ending December 31, 2020, it is anticipated that parcel fees will increase due to a increase in residential parcel fees. The District maintains a conservative estimate of revenues. Parcel revenue is solely determined by the taxes collected from Mid-City residents during the year.

The District has budgeted expenditures to decrease from prior year due to an anticipated decrease in certain patrol costs.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Mid-City Security District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ms. Becker Rutledge, Mid-City Security District, 111 Veterans Memorial Blvd; Ste. 407, Metairie, LA 70005-3024.

STATEMENT OF NET POSITION**Mid-City Security District**
New Orleans, Louisiana

December 31, 2019

Assets

Cash and cash equivalents	\$344,696
Receivables, net	39,132
Prepaid insurance	<u>13,500</u>
Total assets	397,328

Liabilities

Accounts payable	<u>115,321</u>
------------------	----------------

Net Position

Restricted for crime prevention and security	<u><u>\$282,007</u></u>
--	-------------------------

See notes to financial statements.

STATEMENT OF ACTIVITIES**Mid-City Security District**
New Orleans, Louisiana

For the year ended December 31, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expense) Revenues and Change in Net Position</u>
Governmental activities:			
Crime prevention and security	<u>\$1,136,430</u>	<u>\$977,071</u>	\$ (159,359)
General revenues:			
Interest income			<u>5,493</u>
Change in net position			(153,866)
Net position - beginning			<u>435,873</u>
Net position - ending			<u>\$ 282,007</u>

See notes to financial statements.

GOVERNMENTAL FUND BALANCE SHEET**Mid-City Security District
New Orleans, Louisiana**

December 31, 2019

ASSETS

Cash and cash equivalents	\$ 344,696
Receivables, net	39,132
Prepaid insurance	<u>13,500</u>
Total assets	<u><u>\$ 397,328</u></u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	<u>\$ 115,321</u>
Fund balance:	
Nonspendable:	
Prepaid expenses	13,500
Restricted for crime prevention and security	<u>268,507</u>
Total fund balance	<u>282,007</u>
Total liabilities and fund balance	<u><u>\$ 397,328</u></u>

See notes to financial statements.

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

Mid-City Security District
New Orleans, Louisiana

December 31, 2019

Fund Balance - Governmental Fund	\$282,007
---	------------------

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

There are no differences.

-

Net Position of Governmental Activities	<u><u>\$282,007</u></u>
--	--------------------------------

See notes to financial statements.

**STATEMENT OF GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE**

**Mid-City Security District
New Orleans, Louisiana**

For the year ended December 31, 2019

Revenues

Fees, charges, and commissions for services:

Parcel fees	\$ 977,071
Interest income	5,493

Total revenues	982,564
----------------	---------

Expenditures

General government:

Patrols and security services	1,071,607
Insurance	20,218
Professional fees	19,521
Newsletter	15,042
City collection fee	9,674
Equipment	2,251
Other operating expenses	(1,883)

Total expenditures	1,136,430
--------------------	-----------

Excess of Revenues Over Expenditures	(153,866)
---	-----------

Fund Balance

Beginning of year	435,873
-------------------	---------

End of year	\$ 282,007
-------------	------------

See notes to financial statements.

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

Mid-City Security District
New Orleans, Louisiana

For the year ended December 31, 2019

Excess of Revenues Over Expenditures - Governmental Fund	\$(153,866)
<p style="margin-left: 40px;">Amounts reported for governmental activities in the statement of activities are different because:</p> <p style="margin-left: 80px;">There are no differences.</p>	
Change in Net Position of Governmental Activities	\$(153,866)

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Mid-City Security District**

New Orleans, Louisiana

December 31, 2019

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mid-City Security District (the "District") was created as a public body by Acts of the Louisiana Legislature, 2008, No. 925, La. R.S. 33:9091.14 to aid in crime prevention and to add to the security of the District residences by providing for an increase in the presence of law enforcement personnel in the District. The Board of Commissioners is constituted by five appointed members. The Mid-City Neighborhood Organization shall appoint four members, one of whom shall be from the City Park Triangle. The Parkview Neighborhood Association shall appoint one member. All members appointed shall be qualified voters and residents of the District. Board members appointed serve three-year terms. Board members are not compensated or reimbursed for expenses.

The District services all parcels located in the geographic area it serves. The District has no paid employees and contracts with the City of New Orleans for on-duty police officers for patrolling.

The governing authority of the City of New Orleans is authorized to impose and collect a parcel fee within the District. For these services, the City of New Orleans imposes a 1% collection fee based on the gross amount of the parcel fee collected. The amount of the parcel fee is determined by an adopted resolution of the Board of Commissioners of the District. The fee shall be a flat fee per improved parcel of land not less than \$200 and not to exceed \$250 per year for each improved residential parcel and not less than \$300 and not to exceed \$375 for each improved commercial parcel. The enabling legislation authorizing the fee expires on December 31, 2020, but can be extended by an act of the Legislature.

a. Basis of Presentation

The District's basic financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a. Basis of Presentation (Continued)

Government-Wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the District. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities for the fiscal period. Governmental activities generally are financed through parcel fees, and interest income.

Fund Financial Statements

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB Statement No. 34. Emphasis is now on the major funds. The daily accounts and operations of the District continue to be organized on the basis of a fund and account groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following are the governmental funds of the District:

General Fund

The General Fund, as provided by Louisiana Revised Statute (L.R.S.) 13:781, is the principal fund of the District and accounts for and reports the operations of the District's office. The various fees and charges due to the District's office are accounted for in this fund. General operating expenditures are paid from this fund. The General Fund is always considered a major fund.

b. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when transactions are recorded regardless of the measurement focus applied.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Measurement Focus and Basis of Accounting (Continued)

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the reporting government as a whole. These statements include all the financial activities of the District.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are derived directly from parcel fees and reduce the cost of the function to be financed from general revenues.

Fund Financial Statements

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Revenues

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b. Measurement Focus and Basis of Accounting (Continued)

Revenues (Continued)

Interest income on cash balances is recorded when the income is available.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The District does not allocate indirect costs.

c. Use of 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

d. Operating Budgetary Data

As required by the Louisiana Revised Statutes 39:1303, the District adopted a budget for its General Fund. The budgetary practices include public notice of the proposed budget, public inspection of the proposed budget, and public hearings of the budget prior to adoption. The District amended its budget once during 2019. All budgeted amounts which are not expended or obligated through contracts, lapse at year end.

e. Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Receivables

The financial statements of the District contain no allowance for doubtful receivables. Uncollectible receivables, including amounts due from other government units, are charged directly against earnings when they are determined to be uncollectible. Management is of the opinion that there will be no material losses on the collection of receivables.

g. Prepaid Expenses

Payments made to vendors that will benefit periods beyond December 31, 2019 are recorded as prepaid expenditures. These amounts are equally offset by a fund balance classification of nonspendable which indicates that they do not constitute available spendable resources even though they are a component of net current assets. Prepaid expenses as of December 31, 2019 were \$13,500.

h. Fund Equity

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Invested in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - This component of net position reports net position that does not meet the definition of "restricted" or "invested in capital assets".

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. As of December 31, 2019, the District did not have any unrestricted equity or equity classified as invested in capital assets.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Fund Equity (Continued)

Fund Financial Statements

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

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 a specific purpose because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributions, or the laws or regulations of other governments.

Committed - Amounts that can be used only for specific purposes determined by a formal decision of the District. There was no committed equity as of December 31, 2019.

Assigned - The assigned amounts are designated as committed by the District but are not spendable until a budget is adopted. There was no assigned equity as of December 31, 2019.

Unassigned - All amounts not included in other spendable classifications. The District has not adopted a policy to maintain the general fund's unassigned fund balance above a certain minimum level. There was no unassigned equity as of December 31, 2019.

For classification of Governmental Fund balance, the District considers an expenditure to be made from the most restrictive first when more than one classification is available. The District's fund balance as of December 31, 2019 totaled \$282,007 of which \$268,507 was classified as restricted and \$13,500 was classified as nonspendable as this balance related to prepaid expenses.

Note 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j. New Pronouncements

The GASB has issued the following Statement which will become effective in future years shown below:

Statement No. 87, "*Leases*" 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 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 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 June 15, 2021. Management has not yet determined the effect of this Statement on the financial statements.

k. Reconciliations of Government-Wide and Fund Financial Statements

There are no differences between the government-wide and fund financial statements.

l. Subsequent Events

The District evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through June 3, 2020, which is the date the financial statements were available to be issued.

Note 2 - DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, or any other federally insured investment, certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, guaranteed investment contracts and investment grade (A-1/P-2) commercial paper of domestic corporations.

Note 2 - DEPOSITS (Continued)

Bank Deposits

State law requires deposits (cash) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or with a trust company for the account of the political subdivision.

A summary of cash and cash equivalents as of December 31, 2019 is presented below. As of December 31, 2019, the carrying amount of the District's cash and cash equivalents totaled \$344,696, and the bank balances totaled \$390,703. 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 bank balance as of December 31, 2019 is as follows:

	<u>Bank Balance</u>	<u>Reported Amount</u>
Cash	<u>\$390,703</u>	<u>\$344,696</u>

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk. As of December 31, 2019, \$140,703 of the District's bank balances of \$390,703 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging institution's trust department or agent, but not in the entity's name.

As of December 31, 2019, bank balances were adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of the District. The GASB considers these securities subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, L.R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Note 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budget

In accordance with the Louisiana Local Government Budget Act, the procedures used by the District in establishing the budgetary data reflected in the financial statements include public notices of the proposed budget, public inspections and public hearings. The District then legally adopts the budget. Budgeted amounts for the general fund included in the accompanying statements are as amended by the District for the year 2019.

The budget is prepared on the cash basis of accounting. The legally prescribed budgetary basis differs materially from generally accepted accounting principles.

Note 4 - LITIGATION AND CLAIMS

As of December 31, 2019, the District was not involved in litigation nor is the District aware of any unasserted claims.

Note 5 - RECEIVABLES

The receivables as of December 31, 2019 are as follows:

Intergovernmental	\$39,132
Less: allowance for uncollectible accounts	<u> -</u>
	<u>\$39,132</u>

There were no receivable balances past due in excess of 90 days as of December 31, 2019.

Note 6 - DUE TO LOCAL GOVERNMENT

The due to local government balance totaled \$114,343 as of December 31, 2019. This amount represents funds mainly due to the City of New Orleans - NOPD related to reimbursements for crime prevention and patrol services in the Mid-City area.

Note 7 - SUBSEQUENT EVENTS

The recent global outbreak of the Coronavirus (COVID-19) has raised concerns regarding business and the financial markets have recently experienced significant volatility. While the District has been immediately impacted by the adverse conditions in the financial markets, the long term impact on the District's operation is uncertain at this time.

REQUIRED SUPPLEMENTARY INFORMATION

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

Mid-City Security District
New Orleans, Louisiana

For the year ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>*Adjustment to Budgetary Basis</u>	<u>Actual on Budgetary Basis</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:						
Parcel fees	\$1,044,000	\$1,044,000	\$ 977,071	\$ (19,445)	\$ 957,626	\$(86,374) **
Interest income	3,000	3,000	5,493	-	5,493	2,493
Total revenues	<u>1,047,000</u>	<u>1,047,000</u>	<u>982,564</u>	<u>(19,445)</u>	<u>963,119</u>	<u>(83,881)</u>
Expenditures:						
Patrol and security services	991,500	990,000	1,071,607	(93,007)	978,600	11,400
Insurance	20,000	20,000	20,218		20,218	(218)
Professional fees	15,500	20,500	19,521	107	19,628	872
Newsletter	-	10,000	15,042		15,042	(5,042)
City collection fee	10,000	10,000	9,674		9,674	326
Equipment	5,000	5,000	2,251		2,251	2,749
Other operating expenses	5,000	5,000	(1,883)	24	(1,859)	6,859
Total expenditures	<u>1,047,000</u>	<u>1,060,500</u>	<u>1,136,430</u>	<u>(92,876)</u>	<u>1,043,554</u>	<u>16,946</u>
Excess (deficiency) of revenues over expenditures	-	(13,500)	(153,866)	73,431	(80,435)	<u>\$(66,935)</u>
Fund Balance						
Beginning of year	<u>400,000</u>	<u>435,873</u>	<u>435,873</u>	<u>411,803</u>	<u>435,873</u>	
End of year	<u>\$ 400,000</u>	<u>\$ 422,373</u>	<u>\$ 282,007</u>	<u>\$485,234</u>	<u>\$ 355,438</u>	

* Note: The budget is prepared on the cash basis of accounting. Because the legally prescribed budgetary basis differs materially from generally accepted accounting principles, actual amounts in the accompanying budgetary comparison statements are presented on the budgetary basis.

** The District budgets its revenue from parcel fees based on prior year amounts received from the City of New Orleans. Amounts received in the current year were not received timely due to the cybersecurity attack on the City of New Orleans.

**NOTE TO REQUIRED SUPPLEMENTARY
INFORMATION - BUDGETARY REPORTING**

Mid-City Security District
New Orleans, Louisiana

For the year ended December 31, 2019

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

Budgetary Information

As required by the L.R.S. 39:1301-1315, the District adopted a budget for its General Fund for the year ended December 31, 2019 and it was made available for public inspection on July 18, 2018. The proposed budget was prepared on the cash basis of accounting, and was published in the official journal on July 18, 2018. The budget hearing was held at the New Orleans Public Library office on July 18, 2018. The budget is legally adopted, as necessary, by the District. The budget for the year ended December 31, 2019 was amended on January 13, 2020. All appropriations lapse at year end.

Formal budget integration (within the accounting records) is employed as a management control device. Budget amounts included in the accompanying financial statements include the original adopted budget.

The General Fund budget is adopted on a cash basis that is not materially consistent with accounting principles generally accepted in the United States of America.

OTHER SUPPLEMENTARY INFORMATION

**SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER
PAYMENTS TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER**

Mid-City Security District
New Orleans, Louisiana

For the year ended December 31, 2019

Agency Head Name: Jim Olsen, Chairman*

Purpose

Salary	\$	-
Benefits - insurance		-
Benefits - retirement		-
Benefits - other		-
Car allowance		-
Vehicle provided by government		-
Per diem		-
Reimbursements		-
Travel		-
Registration fees		-
Conference travel		-
Continuing professional education fees		-
Housing		-
Unvouchered expenses		-
Special meals		-
		<hr/>
	\$	<hr/> <hr/>

* There were no payments to the Agency Head during 2019.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners,
Mid-City Security District,
New Orleans, 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 and the major funds of the Mid-City Security District (the "District") 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 and have issued our report thereon dated June 3, 2020.

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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be a significant deficiency. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as 2019-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 item 2019-001.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statement 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting 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 over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants.

New Orleans, Louisiana,
June 3, 2020.

SCHEDULE OF FINDINGS AND RESPONSES

Mid-City Security District
New Orleans, Louisiana

For the year ended December 31, 2019

Section I - Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be a material weakness? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Section II - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

2019-001 Compliance with State Budget Laws

Criteria - Louisiana Revised Statute (R.S.) 39:1310 states that when the governing authority has received notification pursuant to R.S. 39:1311, or there has been a change in operations upon which the original adopted budget was developed, the governing authority shall adopt a budget amendment in an open meeting to reflect such change and publish such amendment in the official journal as described by R.S. 39:1307(B).

Condition - The need for an amended budget was determined by the governing authority after fluctuations in actual expenses in comparison to budgeted expenses exceeded 5%.

(Continued)

**Section II - Internal Control Over Financial Reporting and Compliance and Other Matters
Material to the Basic Financial Statements (Continued)**

Internal Control Over Financial Reporting (Continued)

2019-001 Compliance with State Budget Laws (Continued)

Cause - The budget was amended by the governing authority, but it was not adopted at an open meeting or published in the official journal.

Effect - The District was not in compliance with R.S. 39:1310.

Recommendation - It is recommended that amended budgets be adopted at an opening meeting and published in the official journal.

Views of responsible official of the auditee when there is a disagreement with the finding, to the extent practical - None.

Compliance and Other Matters

Finding 2019-001 was also considered a compliance finding.

Section III - Federal Award Findings and Questioned Cost

The Mid-City Security District did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Mid-City Security District New Orleans, Louisiana

For the year ended December 31, 2019

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No internal control over financial reporting findings were reported during the audit for the year ended December 31, 2018.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the year ended December 31, 2018.

Section II - Federal Award Findings and Questioned Cost

The Mid-City Security District did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Mid-City Security District
New Orleans, Louisiana

For the year ended December 31, 2019

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

2019-001 Compliance with State Budget Laws

Recommendation - We recommend that the District's amended budgets be adopted at an opening meeting and published in the official journal.

Management's Corrective Action - Unresolved - The District will institute policies to ensure the open meetings are held for amended budgets and that the amended budgets are properly published in the official journal.

Compliance and Other Matters

Finding 2019-001 was also considered a compliance finding.

Section II - Internal Control and Compliance Material to Federal Awards

The Mid-City Security District did not expend federal awards in excess of \$750,000 during the year ended December 31, 2019 and therefore is exempt from the audit requirements under the *Uniform Guidance*.

Section III - Management Letter

A management letter was not issued for the year ended December 31, 2019.

STATEWIDE AGREED-UPON PROCEDURES (R.S. 24:513)

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners,
Mid-City Security District,
New Orleans, Louisiana.

We have performed the procedures enumerated below, which were agreed to by the management of Mid-City Security District (the "District") and the Louisiana Legislative Auditor on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's Statewide Agreed-Upon Procedures (SAUPs) accompanying the annual financial statements of the District for the year ended December 31, 2019. The Mid-City Security District's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the AICPA and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures that were performed and our findings are as follows:

Written Policies and Procedures

- 1. Obtain the District's written policies and procedures and observe that they address each of the following:**

We obtained the written policies and verified that they addressed the areas as follows:

- a) **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.**

Performance: We obtained the Disaster Recovery/Business Continuity written policies and procedures and verified they include the above areas.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

Bank Reconciliations

- 2. Obtain a listing of a 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 four additional accounts (or all if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:**

Performance: We obtained the bank reconciliation and verified that they included the following:

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

Exceptions: No exceptions were noted.

Management's response: Not applicable.

- b) Bank reconciliation 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**

Exception: The bank reconciliation we reviewed does not have evidence of Board review.

Management's response: Management will consider providing evidence of Board review of bank reconciliations in future years.

- 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.**

Exceptions: No exceptions were noted.

Management's response: Not applicable.

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 these 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.

(Continued)

This report is intended solely for the information and use of the District, the Louisiana Legislature, and the Louisiana Legislative Auditor, and it is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, Louisiana,
June 3, 2020.

Financial Report

Mid-City Security District

December 31, 2019

