

**DENHAM SPRINGS ECONOMIC  
DEVELOPMENT DISTRICT**

**REPORT ON AUDIT OF  
COMPONENT UNIT FINANCIAL STATEMENTS**

**JUNE 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Denham Springs Economic Development District  
Denham Springs, Louisiana

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Denham Springs Economic Development District, Denham Springs, Louisiana, “the District” (a component unit of the City of Denham Springs), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditor’s Responsibility***

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

Denham Springs Economic Development District  
Denham Springs, Louisiana

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 and each major fund of the Denham Springs Economic Development District, Denham Springs, Louisiana as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Denham Springs Economic Development District's June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 8, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 4 through 10 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.

Denham Springs Economic Development District  
Denham Springs, Louisiana

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Denham Springs Economic Development District's internal control over financial reporting and compliance.

Respectfully submitted,

*Hannis J. Bourgeois, CPA*

Denham Springs, Louisiana  
December 14, 2017

# DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2017

### **Introduction**

The Denham Springs Economic Development District (the District) is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - For State and Local Governments* (GASB 34), and related standards.

The District's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity, (c) identify changes in the District's financial position, (d) identify any significant variations from the District's financial plan, and (e) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the District's financial statements included in this report.

### **Financial Highlights**

- At June 30, 2017, the District's assets plus deferred outflow resources exceeded its liabilities by \$11,677,840 in net position.
- For the year ended June 30, 2017, the District's total net position compared to prior fiscal year net position of \$8,591,923 increased \$3,085,917 or 35.92%. This is mainly attributable to continued strong sales tax collections and a decrease in interest expense for the District.
- At June 30, 2017, the District's governmental funds reported combined ending fund balances of \$5,565,759, an increase of \$91,658 for the year. Of this amount, \$42,537, is restricted for spending on Capital Projects and \$5,523,087 is restricted to service outstanding debt.

The District's total liabilities decreased \$4,219,191. Accounts payable and excess outstanding checks over bank balance decreased \$19,036, accrued interest decreased \$35,155 and total bonds payable decreased by \$4,165,000 which is related to payments made during the year. The bonds are being paid from the dedicated portion of the sales tax revenues generated from the District. Additional collateral for these bonds is limited to the "Bass Pro Shops" development. The City of Denham Springs has no liability for these bonds

### **Overview of the Annual Financial Report**

The financial statement focus is on both the District as a whole and on the major individual funds. Both perspectives, government-wide and major funds, allow the user to address relevant questions, broaden a basis for comparison, and enhance the District's accountability. The statements then proceed to provide an increasingly detailed look at specific financial activities.

## DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

The MD&A is intended to serve as an introduction to the District's basic financial statements, which consists of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

#### **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.

The Statement of Net Position presents information on 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 net position. Over time, the increases or decreases in 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 deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year, focusing on both the gross and net costs of various activities that are supported by the District's various revenues. This is intended to summarize and simplify the reader's analysis of the cost and/or subsidy of various governmental services.

In both of the government-wide financial statements, the District's activities are of a single type:

Governmental activities - All of the District's basic services are reported here, and will be financed primarily through revenues from sales taxes.

The government-wide financial statements include the Denham Springs Economic Development District (component unit of the City of Denham Springs, Parish of Livingston, Louisiana) and its blended component unit the Denham Springs Economic Development Corporation and can be found on pages 11 and 12 of this report.

#### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, use fund accounting to ensure and demonstrate compliance with finance-related and legal requirements. The District uses a single category of funds to account for financial transactions: governmental funds. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar.

## DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

JUNE 30, 2017

Governmental funds are used to account for all of the District's basic services. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, there are differences in the information presented for governmental funds and for governmental activities in the government-wide financial statements. Review of these differences provides the reader of the financial statements insight on the long-term impact of the District's more immediate decisions on the current use of financial resources. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The reconciliations can be found on pages 14 and 16 of this report.

#### **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 on pages 17 through 30 of this report.

#### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The following table provides a summary of the District's net position for the current year as compared to the prior year. For more detailed information, see the Statement of Net Position on page 11 of this report.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2017

**Condensed Statement of Net Position  
June 30, 2017 and 2016**

	Governmental Activities		\$ Change	% Change
	2017	2016		
<b>Assets:</b>				
Current and Other Assets	\$ 5,407	\$ 24,431	\$ (19,024)	(78%)
Restricted Assets	5,564,675	5,473,029	91,646	2%
Capital Assets	32,065,723	33,152,360	(1,086,637)	(3%)
<b>Total Assets</b>	<b>37,635,805</b>	<b>38,649,820</b>	<b>(1,014,015)</b>	<b>(3%)</b>
<b>Deferred Outflow of Resources:</b>				
Deferred Amount on Refunding	797,590	916,849	(119,259)	(13%)
<b>Liabilities:</b>				
Current and Other Liabilities	195,555	249,746	(54,191)	(22%)
Long-Term Debt Outstanding	26,560,000	30,725,000	(4,165,000)	(14%)
<b>Total Liabilities</b>	<b>26,755,555</b>	<b>30,974,746</b>	<b>(4,219,191)</b>	<b>(14%)</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	12,834,706	9,756,343	3,078,363	32%
Unrestricted (Deficit)	(1,156,866)	(1,164,420)	7,554	(1%)
<b>Total Net Position</b>	<b>\$ 11,677,840</b>	<b>\$ 8,591,923</b>	<b>\$ 3,085,917</b>	<b>36%</b>

At June 30, 2017, the District has a government-wide net surplus.

Approximately 100% of the District's net position represents resources that are subject to external restrictions on how they may be used. The District's Restricted Assets of \$5,564,675 can only be used for capital outlay and debt service requirements.

At the end of the current fiscal year, the District was able to report a positive balance in its sole category of net position, governmental activities, for the third time since inception. Continued strong sales tax revenues (\$5,396,924 at year end), allowed additional retirement of debt (\$3,400,000) greater than the scheduled principal amount for 2017 (\$765,000).

The District's activities increased its total net position by \$3,085,917. The total increase is attributable to continued strong sales tax revenue for governmental activities and a decrease in interest expense.

In order to further understand what makes up the changes in net position, the following table provides a summary of the results of the District's activities for the current year as compared to the prior year. An analysis of the primary sources of these changes follows the table. For more detailed information, see the Statement of Activities on page 12 of this report.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2017

**Condensed Statement of Changes in Net Position**

**For the Years Ended June 30, 2017 and 2016**

	Governmental Activities		\$ Change	% Change
	2017	2016		
Revenues:				
Program Revenues:				
Charges for Services	\$ 36,060	\$ 52,271	\$ (16,211)	(31%)
Rent	12	12	-	N/C
General Revenues:				
Interest Income	4,433	401	4,032	1005%
Sales Taxes	5,396,924	5,492,531	(95,607)	(2%)
Total Revenues	5,437,429	5,545,215	(107,786)	(2%)
Expenses:				
General Government	318,673	241,246	77,427	32%
Interest and Fees on Debt Service	946,202	1,040,025	(93,823)	(9%)
Depreciation	1,086,637	1,086,637	-	N/C
Total Expenses	2,351,512	2,367,908	(16,396)	(1%)
Change in Net Position	3,085,917	3,177,307	(91,390)	(3%)
Net Position				
Beginning of Year	8,591,923	5,414,616	3,177,307	59%
Net Position - End of Year	\$ 11,677,840	\$ 8,591,923	\$ 3,085,917	36%

**Governmental Activities**

The District's governmental net position was increased by \$3,085,917, to a positive position of \$11,677,840 compared to the prior year ending net position of \$8,591,923.

Expenses had a net decrease of \$16,396. This is attributable to a (\$93,823) decrease in interest and fees on debt service and an increase in general government of \$77,427 relating to the increase in repairs and maintenance cost as compared to the prior year.

Program revenues reflected a slight decrease over the previous year. General revenues decreased by 1.7%, \$91,575. Sales tax slightly decreased from the collections ended in 2016, but continue to be greater than in 2014-2015. Sales tax revenues trends have shown a substantial increase in the past four years compared to prior periods.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2017

**Fund Financial Analysis**

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, fund balances may serve as a useful measure of the District's net resources available for spending at the end of the year. The basic governmental fund financial statements can be found on pages 13 through 16 of this report.

At the end of the current year, the District's governmental funds reported combined ending fund balances of \$5,565,759. Of this amount, \$42,537 is restricted for spending on Capital Projects in progress, \$5,523,087 is restricted to service outstanding debt and \$135 has been assigned in the Special Revenue Fund.

**Capital Assets and Debt Administration**

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$32,065,723. The total decrease in the District's investment in capital assets for the current fiscal year was (\$1,086,637) which is attributable to the 2017 depreciation expense. There were no capital asset additions or deletions in the current fiscal year.

The following table provides a summary of the District's capital assets at the end of the current year as compared to the prior year. For more detailed information, see Note 4 to the financial statements on page 26 of this report.

**Capital Assets  
(Net of Depreciation)  
June 30, 2017 and 2016**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Land	\$ 7,303,750	\$ 7,303,750
Other Capital Assets, Net of Depreciation	<u>24,761,973</u>	<u>25,848,610</u>
Total	<u>\$32,065,723</u>	<u>\$33,152,360</u>

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

JUNE 30, 2017

**Long-Term Debt**

At June 30, 2017, the District had total long-term debt outstanding of \$26,560,000. Of this total, \$805,000 is due within one year and \$25,755,000 is due greater than one year. The following table provides a summary of the District’s outstanding debt at the end of the current year as compared to the prior year. For more detailed information, see Note 5 to the financial statements on pages 27 - 28 of this report.

**Outstanding Debt  
June 30, 2017 and 2016**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Sales Tax Increment Bonds	<u>\$26,560,000</u>	<u>\$30,725,000</u>

These bonds were issued for the purchase of 24 acres within the 75 acre District and for the construction of the “Bass Pro Shops” project and infrastructure. The bonds will be paid from the dedicated portion of the sales tax revenues generated from the District. Additional collateral for these bonds is limited to the “Bass Pro Shops” development and the City of Denham Springs has no liability for these bonds.

**Other Factors Affecting the District**

The District’s management approach is fiscally conservative; however, due to the nature of the funds originally created as a result of the creation of the Bass Pro Sales Tax Incentive District, the District issued bonds to finance the development of the properties and infrastructure within the boundaries of the District. The District will meet future obligations to redeem bonds with the proceeds of sales taxes collected within the District which is pledged for the repayment of the bonds.

**Contacting the District’s Financial Management**

This financial report is designed to provide the District’s users with a general overview of the District’s finances and show the District’s accountability for the money it receives. Questions regarding this report or requests for additional information should be addressed to Denham Springs Economic Development District at Post Office Box 131, Denham Springs, Louisiana 70727-0131. The District’s telephone number is (225) 665-8121.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

STATEMENT OF NET POSITION

JUNE 30, 2017

(With Comparative Totals as of June 30, 2016)

	<u>Governmental Activities</u>	
<b>ASSETS</b>	2017	2016
Cash and Cash Equivalents	\$ 1,059	\$ -
Receivables	4,348	24,431
Restricted Assets:		
Cash and Cash Equivalents	4,511,085	4,466,869
Receivables	1,053,590	1,006,160
Capital Assets:		
Land	7,303,750	7,303,750
Other Capital Assets, Net of Depreciation	24,761,973	25,848,610
Total Assets	37,635,805	38,649,820
<b>DEFERRED OUTFLOW OF RESOURCES</b>		
Deferred Amount on Refunding	797,590	916,849
<b>LIABILITIES</b>		
Excess Outstanding Checks Over Bank Balance	-	19,164
Accounts Payable	4,323	4,195
Accrued Interest	191,232	226,387
Non-Current Liabilities:		
Due Within One Year	805,000	2,565,000
Due in More Than One Year	25,755,000	28,160,000
Total Liabilities	26,755,555	30,974,746
<b>NET POSITION</b>		
Net Investment in Capital Assets	12,834,706	9,756,343
Unrestricted (Deficit)	(1,156,866)	(1,164,420)
Total Net Position	\$ 11,677,840	\$ 8,591,923

The accompanying notes constitute an integral part of this statement.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017  
(With Comparative Totals as of June 30, 2016)

	<u>Governmental Activities</u>	
<b><u>Governmental Activities:</u></b>	2017	2016
<b>Expenses:</b>		
General Government	\$ 318,673	\$ 241,246
Interest and Fees on Debt Service	946,202	1,040,025
Depreciation	1,086,637	1,086,637
Total Expenses	2,351,512	2,367,908
<b>Program Revenues:</b>		
Charges for Services	36,060	52,271
Rents	12	12
Net Program Expense	(2,315,440)	(2,315,625)
<b>General Revenues:</b>		
Sales Taxes	5,396,924	5,492,531
Interest Income	4,433	401
Total General Revenues	5,401,357	5,492,932
Change in Net Position	3,085,917	3,177,307
<b>Net Position - Beginning of Year</b>	8,591,923	5,414,616
<b>Net Position - End of Year</b>	\$ 11,677,840	\$ 8,591,923

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

BALANCE SHEET -  
GOVERNMENTAL FUNDS

JUNE 30, 2017  
(With Comparative Totals as of June 30, 2016)

	<u>General Fund</u>	<u>Denham Springs Economic Development Corporation</u>	<u>Capital Projects Fund 2007 B</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ -	\$ 1,059	\$ -
Receivables	-	4,348	-
Due from Denham Springs Economic Development Corporation	-	-	949
Restricted Assets:			
Cash and Cash Equivalents	-	-	41,588
Receivables:			
Sales Taxes - Parish	-	-	-
Sales Taxes - State	-	-	-
Accrued Interest	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 5,407</u>	<u>\$ 42,537</u>
<b>LIABILITIES</b>			
Excess Outstanding Checks Over Bank Balance	\$ -	\$ -	\$ -
Accounts Payable	-	4,323	-
Due To Capital Projects Fund 2007 B	-	949	-
Total Liabilities	-	5,272	-
<b>FUND BALANCES</b>			
Fund Balance:			
Restricted	-	-	42,537
Assigned	-	135	-
Total Fund Balances	-	135	42,537
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 5,407</u>	<u>\$ 42,537</u>

The accompanying notes constitute an integral part of this statement.

Exhibit B-1

Debt Service Fund	Total Governmental Funds	
	2017	2016
\$ -	\$ 1,059	\$ -
-	4,348	24,431
-	949	949
4,469,497	4,511,085	4,466,869
695,723	695,723	658,180
357,256	357,256	347,369
611	611	611
<u>\$ 5,523,087</u>	<u>\$ 5,571,031</u>	<u>\$ 5,498,409</u>
\$ -	\$ -	\$ 19,164
-	4,323	4,195
-	949	949
-	5,272	24,308
5,523,087	5,565,624	5,473,978
-	135	123
<u>5,523,087</u>	<u>5,565,759</u>	<u>5,474,101</u>
<u>\$ 5,523,087</u>	<u>\$ 5,571,031</u>	<u>\$ 5,498,409</u>

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

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

JUNE 30, 2017  
(With Comparative Totals as of June 30, 2016)

	2017	2016
Fund Balances-Total Governmental Funds	\$ 5,565,759	\$ 5,474,101
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</p>		
<p>Capital Assets Used in Governmental Activities are not Financial Resources and are not Reported in the Governmental Funds</p>		
Governmental Cost of Capital Assets	42,139,102	42,139,102
Less Accumulated Depreciation	(10,073,379)	(8,986,742)
<p>Long-Term Liabilities are not Due and Payable in the Current Period and Therefore are not Reported in the Governmental Funds:</p>		
Sales Tax Increment Revenue Bonds	(26,560,000)	(30,725,000)
Net Deferred Amount on Refunding	797,590	916,849
Accrued Interest on Bonds Payable	(191,232)	(226,387)
Net Position of Governmental Activities	\$ 11,677,840	\$ 8,591,923

The accompanying notes constitute an integral part of this statement.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017  
(With Comparative Totals as of June 30, 2016)

	General Fund	Denham Springs Economic Development Corporation	Capital Projects Fund 2007 B
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenues:</b>			
Sales Taxes	\$ -	\$ -	\$ -
Interest	-	-	67
Administrative Fees	-	36,060	-
Rents	-	12	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenues	-	36,072	67
<b>Expenditures:</b>			
General Government			
Tax Collection Fees	-	-	-
Accounting Fees	-	23,044	-
Insurance	-	1,013	-
Legal Fees	-	12,003	-
Engineering Consulting	-	-	4,000
Repairs and Maintenance	-	-	33,972
Debt Service:			
Principal	-	-	-
Interest / Fees	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Expenditures	-	36,060	37,972
Excess (Deficiency) of Revenues over Expenditures	-	12	(37,905)
<b>Other Financing Sources (Uses):</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Other Financing Sources (Uses)	-	-	-
Net Change in Fund Balances	-	12	(37,905)
<b>Fund Balances at Beginning of Year</b>	<u>          </u>	<u>          </u>	<u>          </u>
	-	123	80,442
<b>Fund Balances at End of Year</b>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ -	\$ 135	\$ 42,537

The accompanying notes constitute an integral part of this statement.

Exhibit B-3

Debt Service Fund	Total Governmental Funds	
	2017	2016
\$ 5,396,924	\$ 5,396,924	\$ 5,492,531
4,366	4,433	401
-	36,060	52,271
-	12	12
<u>5,401,290</u>	<u>5,437,429</u>	<u>5,545,215</u>
188,172	188,172	188,975
-	23,044	30,058
-	1,013	949
56,469	68,472	3,777
-	4,000	5,500
-	33,972	11,987
4,165,000	4,165,000	3,390,000
862,098	862,098	950,896
<u>5,271,739</u>	<u>5,345,771</u>	<u>4,582,142</u>
129,551	91,658	963,073
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
129,551	91,658	963,073
5,393,536	5,474,101	4,511,028
<u>\$ 5,523,087</u>	<u>\$ 5,565,759</u>	<u>\$ 5,474,101</u>

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

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

FOR THE YEAR ENDED JUNE 30, 2017  
(With Comparative Totals as of June 30, 2016)

	<u>2017</u>	<u>2016</u>
Net Change in Fund Balances - Total Governmental Funds	\$ 91,658	\$ 963,073
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
<p>Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities, the Cost of Those Assets is Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense.</p>		
Depreciation Expense	(1,086,637)	(1,086,637)
<p>The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.</p>		
Bond Principal Repayments on Sales Tax Increment Revenue Bonds	4,165,000	3,390,000
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Amortization of Deferred Amount on Refunding	(119,259)	(104,094)
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
	<u>35,155</u>	<u>14,965</u>
Change in Net Position of Governmental Activities	<u>\$ 3,085,917</u>	<u>\$ 3,177,307</u>

The accompanying notes constitute an integral part of this statement.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2017

**Note 1 - Organization, Nature of Operations, and Summary of Significant Accounting Policies -**

**a. Organization and Nature of Operations**

The Denham Springs Economic Development District (“the District”) was created by an ordinance of the City Council of the City of Denham Springs on December 9, 2003, pursuant to the Louisiana Cooperative Economic Development Law. A board of five members is provided by law. The District encompasses approximately 75 acres within the City of Denham Springs.

The purpose of the District is to secure Sales Tax Increment Revenue bonds which were issued to provide funds for the construction of infrastructure improvements and acquiring, constructing and equipping the Bass Pro retail outlet and restaurant and ancillary items within the District.

Because of the required cooperation from each of the following governmental entities,

City of Denham Springs  
Livingston Parish School Board  
Livingston Parish Council  
Livingston Parish Sheriff  
Livingston Parish Gravity Drainage District #1  
State of Louisiana

the District created the Denham Springs Economic Development Corporation (“the Corporation”) on February 14, 2004. The Corporation’s Board is composed of five members recommended by the City of Denham Springs, two members recommended by the Livingston Parish School Board, one member recommended by the Livingston Parish Council, and one member recommended by the Livingston Parish Sheriff for a total of nine members. The corporation is a private nonprofit corporation created pursuant to the Louisiana Nonprofit Corporation Law (Chapter 2 of Title 12 of the Louisiana Revised Statutes) and has been assigned the responsibilities to oversee, supervise and approve the construction of infrastructure improvements and acquiring, constructing, and equipping the Bass Pro retail outlet and restaurant and ancillary items. There was no financial activity within this corporation prior to March of 2007.

**b. Reporting Entity**

The City of Denham Springs is the financial reporting entity for the City of Denham Springs, Louisiana. The City of Denham Springs appoints the District's governing body and can impose its will on the District. Accordingly, the District has been determined to be a component unit of the City of Denham Springs.

The accompanying financial statements present information only on the activities and funds maintained by the District and do not present information on the City of Denham Springs, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for the City of Denham Springs, Louisiana.

# DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

Blended Component Unit - Blended component units, although legally separate entities, are, in substance, part of the government's operations. The Denham Springs Economic Development Corporation was created to serve only the Denham Springs Economic Development District and is governed by a board approved by the District. Management has determined that the Corporation is to be reported as a blended component unit as a special revenue governmental fund within these financial statements.

Discretely Presented Component Unit - The District has no discretely presented component units.

### **c. Basis of Statement Presentation**

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP) of the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.

### **d. 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 relating to certain governmental functions or activities.

A fund is defined as a separate accounting entity with a self-balancing set of accounts. Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets, and the servicing of general long-term debt. The governmental funds presented in the financial statements are described as follows and are all considered major governmental funds:

#### **Governmental Fund Types**

##### **General Fund**

The General Fund is the general operating fund of the District and accounts for all financial resources, except those required to be accounted for in other funds. The General Fund had no activity for the year ended June 30, 2017.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

**Special Revenue Fund**

The Denham Springs Economic Development Corporation is reported as a special revenue fund of the District and accounts for all financial activities of the corporation.

**Capital Projects Funds**

The capital projects funds account for financial resources to be used for the acquisition or construction of major capital facilities.

**Debt Service Fund**

The Debt Service Fund is used to account for accumulation of resources for the payment of general long-term debt principal, interest, and related costs.

**e. Measurement Focus/Basis of Accounting**

**Basic Financial Statements - Government-Wide Financial Statements (GWFS)**

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 GWFS were prepared using 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 or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

The District does not allocate indirect expenses.

# DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

### **Basic Financial Statements - Governmental Funds**

The accounting and financial reporting treatment applied to a fund are determined by its measurement focus. 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 Governmental Funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The General Fund, the Denham Springs Economic Development Corporation, the 2007 Series B Bond Capital Projects Fund, and the Debt Service Fund are all considered major funds of the District.

The modified accrual basis of accounting is used by Governmental Funds. 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 (generally 60 days) to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred. The Governmental Funds use the following practices in recording revenues and expenditures:

#### **Revenues**

**Sales tax revenues** are recorded as revenues when the underlying transaction occurs and meets the availability criteria.

**Interest income** is composed of interest from interest-bearing demand deposits, and from invested funds. Interest earned on cash equivalents, and investments is recorded when the income is both measurable and available.

**Intergovernmental revenues** are recorded when the income is both measurable and available.

**Grant revenues** are recorded when the District or Corporation is entitled to reimbursement of expenditures under the terms of the grant or agreement.

**Charges for services** are recorded as revenue when the fees are collected because they are usually paid at the time the service is rendered.

**Other revenues** are recorded as revenue when the money is received because they are generally not measurable until actually received.

# DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

### **Expenditures**

Principal and interest on general long-term obligations are recognized when due. All other expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

### **Other Financing Sources (Uses)**

Other financing sources (uses) include the proceeds from the sale of Sales Tax Increment Revenue Bonds and the discount thereon, and transfers between funds that are not expected to be repaid. Proceeds from the sale of the bonds are recorded when received and transfers are recorded when the transfer is made.

### **f. Budgetary Policy and Accounting**

The District is not required to adopt an annual operating budget as all income and expense are provided for by the bond indenture.

### **g. Cash and Cash Equivalents**

Cash includes petty cash, demand deposits, and interest-bearing demand deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of three months 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. Cash and cash equivalents are presented at cost in the District's balance sheet.

### **h. Investments**

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the District's investment policy. If the original maturities of time deposits exceed three months, they are classified as investments; however, if the original maturities are three months or less, they are classified as cash equivalents.

GASB Statement 31 requires the District to report its investments at fair value in the balance sheet except for investments in non-participating interest-earning contracts, such as non-negotiable certificates of deposit with redemption terms that do not consider market rates. This type of investment is reported using a cost-based measure, provided that the fair value of the contract is not significantly affected by the impairment of the credit standing of the issuer or other factors.

### **i. Receivables and Payables**

All trade and receivables are shown net of an allowance for uncollectibles, if any.

DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

**j. Capital Assets and Depreciation**

Capital assets include any land, buildings, major infrastructure improvements and equipment owned by the District. All capital assets are valued at historical cost, except for donated assets, which are valued at estimated fair market value at the date of donation. At June 30, 2017, the District had no donated assets.

It is the District's policy to capitalize purchases of moveable property costing at least \$1,000 and purchases of real property and major infrastructure improvements costing at least \$5,000.

Depreciation is calculated using the straight line method of depreciation over the following estimated useful lives upon completion of construction:

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure Improvements	20

**k. Deferred Outflows of Financial Resources**

The statement of financial position reports a separate section for deferred outflows of financial resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

All of the District's deferred outflows of resources on the statement of net position are a result of deferrals concerning bonded debt. A deferred charge on refunding results from the difference in the varying value of refunded debt and its reacquisition price. Deferred amount on refunding of debt is reported in the deferred outflow sections of the statement of position.

**l. Transfers and Interfund Loans**

Transfers are advances between funds that are not expected to be repaid. In those cases where repayment is expected, the advances are accounted for through the various "due from" and "due to" accounts in the fund financial statements. The "due from" and "due to" accounts are eliminated in the government-wide financial statements.

**m. Fund Balances**

GASB Statement No. 54 redefined how fund balances are presented in fund financial statements. In the governmental fund financial statements, fund balances are classified as follows:

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2017

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

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

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

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

Unassigned - All amounts not included in other spendable classifications.

The details of the fund balances are included in the Balance Sheet - Governmental Funds Exhibit B-1. As noted above, restricted funds are used first as appropriate. Assigned Funds are reduced to the extent that expenditure authority has been budgeted by the District or the Assignment has been changed by the District. Decreases to fund balance first reduce Unassigned Fund balance; in the event that Unassigned becomes zero, then Assigned and Committed Fund Balances are used in that order.

**n. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**o. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**p. Cooperative Endeavor Agreement**

A cooperative endeavor agreement dated December 15, 2006 was entered into by the Denham Springs Economic Development District (the "District"), Denham Springs Economic Development Corporation (the "Corporation"), City of Denham Springs, State of

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

Louisiana (the “City”), Law Enforcement District of the Parish of Livingston, State of Louisiana (the “Law Enforcement District”), Livingston Parish School Board, both in its capacity as a Participating Tax Recipient Entity (the “School Board”) and its capacity as the Tax Collector for Sales and Use Taxes in the District (the “Tax Collector”), Parish of Livingston, State of Louisiana (the “Parish”), Special Sales Tax District No. 1 of the Parish of Livingston, State of Louisiana (the “School District”), Gravity Drainage District No. 1 of the Parish of Livingston, State of Louisiana (the “Gravity Drainage District”) and The State of Louisiana (the “State”), acting by and through the Louisiana Department of Revenue (the “Department”).

Pursuant to this Cooperative Endeavor Agreement, the Participating Tax Recipient Entities and the State have pledged and dedicated and will irrevocably pledge and dedicate an amount of Annual Pledged Local Increment and Annual Pledged State Increment to pay the annual principal of, premium, if any, and interest on the Bonds. The District used a portion of the proceeds of the Bonds to purchase the Bass Pro Site, which then has been leased by the District to the Corporation. The District shall deposit a portion of the proceeds of the Bonds to the Project Fund held by the Paying Agent/Trustee to pay Project Costs. The Corporation will contract for and monitor construction of the Project and sublease the Bass Pro Site and Facilities to Bass Pro Denham Springs Development Company, LLC. The Corporation will mortgage its leasehold interest in the Bass Pro Site and Facilities in favor of the Paying Agent/Trustee for the benefit of bondholders.

In consideration of the mutual covenants contained, the parties covenant and agree to pledge and dedicate pursuant to the agreement their agreed upon percentages of the sales tax collected within the District as follows:

<u>Entity</u>	<u>Sales and Use Tax Percent</u>	<u>Percent of Sales Tax Pledged to District</u>
City of Denham Springs Livingston Parish	1.50%	71.42857%
Law Enforcement District Livingston Parish	.50%	71.42857%
School Board - General Fund Livingston Parish	1.00%	100.00000%
School Board - 2nd Sales Tax Livingston Parish School Board - District #1	1.00%	0.00000%
Livingston Parish Council	.50%	100.00000%
Livingston Parish Gravity Drainage District #1	1.00%	71.42857%
State of Louisiana	<u>4.00%</u>	50.00000%
	<u>10.00%</u>	

# DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

In addition, while each of the local entities pledge their sales tax revenues until the bonds are paid in full, the State of Louisiana pledged their participation for not more than 20 years from date of closing on the bonds and not to exceed \$1,500,000 per year. The bonds issued March 20, 2007 and May 27, 2008, each have a maturity schedule of 30 years or fiscal year ending June 30, 2037. The 2007 and 2008 bonds were refunded with the 2011 refunding bonds issued on December 22, 2011 which have the same maturity date as the refunded bonds or fiscal year ending June 30, 2037. No participating local tax recipient entity shall be required to pledge or pay more than the annual pledged local increment attributable to it during any year of the term of the agreement. The term of this agreement shall be effective upon execution by all parties hereto and shall terminate upon the earlier of (i) payment in full by the District of all principal, interest, premium, if any, and other requirements of the bonds or (ii) the final maturity date of the Bonds, which date shall not be extended beyond that final maturity date initially set forth in the Indenture without the prior written consent of all Participating Tax Recipient Entities.

### **q. Summary Financial Information for 2016**

The financial statements include certain prior year summarized comparative information in total. Such information does not include sufficient details to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

### **Note 2 - Cash, Cash Equivalents and Investments -**

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

As confirmed by the fiscal agents, the District had cash totaling \$4,328,597 with a carrying amount of \$4,512,144. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank.

**Custodial Credit Risk - Deposits.** In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2017, none of the District's bank balance of \$4,328,597 was exposed to custodial credit risk.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

**Note 3 - Interfund Receivables and Payables -**

The Corporation approves all expense and construction contract payments and the funds are transferred to the Corporation from the Construction Funds of the District. Therefore, the accounts payable of the Corporation for incomplete construction is to be reimbursed by the District's Capital Projects Funds. As a result, the manner in which cash is spent and received creates short-term interfund loans. There were no interfund receivables, payables or loans at year end.

**Note 4 - Changes in Capital Assets -**

A summary of changes in capital assets follows:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<u>Governmental Activities:</u>				
Capital Assets not being Depreciated:				
Land	\$ <u>7,303,750</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,303,750</u>
Total Capital Assets not being Depreciated	7,303,750	-	-	7,303,750
Capital Assets Being Depreciated:				
Buildings	26,205,237	-	-	26,205,237
Roads	6,566,631	-	-	6,566,631
Utilities	<u>2,063,484</u>	<u>-</u>	<u>-</u>	<u>2,063,484</u>
Total Capital Assets being Depreciated	34,835,352	-	-	34,835,352
Less Accumulated Depreciation for:				
Buildings	5,486,722	655,131	-	6,141,853
Roads	2,635,937	328,332	-	2,964,269
Utilities	<u>864,083</u>	<u>103,174</u>	<u>-</u>	<u>967,257</u>
Total Accumulated Depreciation	<u>8,986,742</u>	<u>1,086,637</u>	<u>-</u>	<u>10,073,379</u>
Total Capital Assets being Depreciated, Net	<u>25,848,610</u>	<u>(1,086,637)</u>	<u>-</u>	<u>24,761,973</u>
Total Governmental Activities Capital Assets, Net	<u>\$ 33,152,360</u>	<u>\$ (1,086,637)</u>	<u>\$ -</u>	<u>\$ 32,065,723</u>

Depreciation expense was charged to governmental activities as follows:

Economic Development	<u>\$ 1,086,637</u>
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**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

**Note 5 - Changes in General Long-Term Debt -**

The following is a summary of the changes in general long-term debt of the District for the year ended June 30, 2017:

	<u>Balance</u>			<u>Balance</u>	<u>Due</u>
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Within</u>
					<u>One Year</u>
Governmental Activities:					
2011A Series	\$27,325,000	\$ -	\$ (765,000)	\$26,560,000	\$ 805,000
2011B Series	<u>3,400,000</u>	<u>-</u>	<u>(3,400,000)</u>	<u>-</u>	<u>-</u>
Long-Term Liabilities	<u>\$30,725,000</u>	<u>\$ -</u>	<u>\$(4,165,000)</u>	<u>\$26,560,000</u>	<u>\$ 805,000</u>

The District issued the 2007A, 2007B and the 2007C Series bonds on March 1, 2007 with a maturity date of January 1, 2037. The 2008 Series bond was issued on May 27, 2008 with a maturity date of January 1, 2037.

These bonds were issued for the purchase of 24 acres within the 75 acre District and for the construction of the “Bass Pro Shops” project and infrastructure. The bonds will be paid from the dedicated portion of the sale tax revenues generated from the District. Additional collateral for these bonds is limited to the “Bass Pro Shop” development and the City of Denham Springs has no liability for these bonds.

On July 16, 2009, the 2007 Series B Bonds and the 2008 Series Bonds were converted from taxable variable rate sales tax increment revenue bonds to non-taxable variable rate sales tax increment revenue bonds. In addition, the 2007 Series C Bonds were converted from taxable fixed rate subordinate sales tax increment bonds to non-taxable fixed rate subordinate sales tax increment bonds. The conversion was done in an effort to reduce future interest payments.

On December 22, 2011, the District issued \$30,000,000 Series 2011A and issued \$16,200,000 Series 2011B Sales Tax Increment Refunding Bonds for the purpose of refunding the outstanding balance of the Series 2007 and 2008 bonds and to amend and restate the trust indenture including changes to the interest rate, letter of credit, and remarketing requirements. The 2011 Series bonds are scheduled to mature on January 1, 2037. This advance refunding was undertaken to decrease total debt service payments over the next 25 years by \$6,346,526 and resulted in an economic gain of \$6,560,010.

In accordance with the initial Trust Indenture on the Series 2011A and Series 2011B Bonds, the District entered into the First Supplemental Trust Indenture dated November 1, 2016 for the purpose of extending the Initial Bank Rate on the outstanding bonds. The interest bank rate with respect to the Series 2011A Bonds is defined as 3.09% through December 31, 2016,

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

JUNE 30, 2017

and 2.88% effective January 1, 2017 through the Initial Bank Rate Period which is the period from November 30, 2016 until the earliest to occur of the conversion of the Series 2011A Bonds to a fixed rate or a weekly rate, or January 1, 2023. Also in accordance with the First Supplemental Trust Indenture after December 31, 2017, the District shall be required to redeem the Series 2011A bonds from excess revenues in the excess revenue account at least twice each calendar year. The interest bank rate with respect to the Series 2011B Bonds was not changed as a result of the First Supplemental Trust Indenture. The Series 2011B Bonds were redeemed in full as of April 30, 2017.

At June 30, 2017, long-term debt consists of the following Sales Tax Increment Revenue Bonds dated December 1, 2011 for the 2011A Series:

Series 2011A Sales Tax Increment Revenue Refunding Bonds with Interest Bank Rate of 2.88% through the Initial Bank Rate Period; Convertible to Fixed Rate or Weekly Rate on January 1, 2023 with Final Maturity January 1, 2037	\$ 26,560,000
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The annual requirements to amortize the bonds outstanding using estimated current interest rates of 2.88% for the Series 2011A are shown in the following schedule.

Year Ending June 30,	2011 Series A		
	Principal	Interest	Total
2018	\$ 805,000	\$ 759,132	\$ 1,564,132
2019	845,000	735,660	1,580,660
2020	885,000	711,036	1,596,036
2021	930,000	685,224	1,615,224
2022	975,000	658,116	1,633,116
2023-2027	5,660,000	2,834,352	8,494,352
2028-2032	7,230,000	1,921,896	9,151,896
2033-2037	9,230,000	757,080	9,987,080
<b>Total</b>	<b>\$ 26,560,000</b>	<b>\$ 9,062,496</b>	<b>\$ 35,622,496</b>

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2017

**Note 6 - Lease and Sublease -**

On March 20, 2007, the District entered into a ground lease with the Denham Springs Economic Development Corporation, the 24 acres along with all future improvements thereon described as the Bass Pro Project. The Corporation was obligated to sublease the land to Bass Pro Denham Springs Development Company, LLC or an affiliate thereof for the purpose of the development, design, construction and operation of an approximately 150,000 square feet Bass Pro Shops retail outlet and approximately 10,000 square feet restaurant and boat service building with related parking and infrastructure.

The term of the lease is for 30 years ending midnight March 20, 2037 with the option of Bass Pro to renew the sublease for up to six consecutive five year terms at which time lease amounts will be negotiated.

As consideration for the lease and sublease the Corporation will sublease the premises to Bass Pro for the design and construction of said facilities and agrees to pay the Corporation \$1.00 per month (payable annually in advance) and to pay or reimburse the Corporation for expenses and other costs identified as administrative and/or operating expenses incurred as a result of the lease not to exceed \$200,000 annually for the first two years of the term of this sublease and not to exceed \$100,000 annually thereafter.

Upon payment of all outstanding bond principal and interest and operations of the Bass Pro Shops on a continuous basis without interruption for a period of 20 years from the date of this lease, Bass Pro may exercise its option to purchase said facilities. The purchase price will be equal to the then fair market value of the leased premises subject to any applicable adjustments and/or Economic Benefit Credits as defined in the Cooperative Endeavor Agreement as accumulated over the years by Bass Pro. Fair value will be determined by an independent appraiser who is familiar with property similar to and in the same location as the leased premises. The Louisiana Department of Economic Development shall approve the application of all Economic Benefit Credits to be applied to the purchase price. Bass Pro will also receive benefit for any costs of the facilities funded by Bass Pro because the proceeds of the bonds were not sufficient for construction of the entire facility.

**Note 7 - Compensation of Board Members -**

All Board members of both the District and the Corporation serve without compensation.

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

JUNE 30, 2017

**Note 8 - Schedule of Compensation, Benefits and Other Payments to Agency Heads -**

In accordance with Louisiana Revised Statute 24:513A, the following is a Schedule of Compensation and Benefits received by the acting agency heads for the year ended June 30, 2017:

**Denham Springs Economic Development District:**

	<u>Chairman Robert Poole</u>
Salary	\$ -
Benefit Retirement	-
Benefit Insurance	-
Registration Fees	-
Travel Reimbursements	-
Conferences	-
Meals	-
	<hr/>
Total Compensation	\$ -
	<hr/> <hr/>

**Denham Springs Economic Development Corporation:**

	<u>Chairman James Durbin</u>
Salary	\$ -
Benefit Retirement	-
Benefit Insurance	-
Registration Fees	-
Travel Reimbursements	-
Conferences	-
Meals	-
	<hr/>
Total Compensation	\$ -
	<hr/> <hr/>

**Note 9 - Subsequent Events -**

Management has evaluated subsequent events through December 14, 2017, the date which the financial statements were available to be issued.

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



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

To the Board of Commissioners  
Denham Springs Economic Development District  
Denham Springs, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Denham Springs Economic Development District, Denham Springs, Louisiana, “the District” (a component unit of the City of Denham Springs), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated December 14, 2017.

**Internal Control Over Financial Reporting**

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

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

Denham Springs Economic Development District  
Denham Springs, Louisiana

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

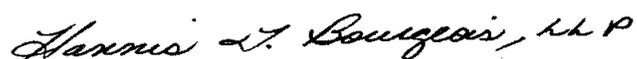
### **Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose; however, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Denham Springs, Louisiana  
December 14, 2017

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**SCHEDULE OF FINDINGS AND RESPONSES**

JUNE 30, 2017

**CURRENT YEAR FINDINGS:**

**Internal Control Finding**

None

**Compliance Finding**

None

**DENHAM SPRINGS ECONOMIC DEVELOPMENT DISTRICT**

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

JUNE 30, 2017

**PRIOR YEAR FINDINGS:**

None

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Independent Accountant’s Report  
on Applying Agreed-Upon Procedures

To the Board of Commissioners  
Denham Springs Economic Development District  
Denham Springs, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Denham Springs Economic Development District “the District” and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA’s Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The District’s management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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1. Obtain the entity’s written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget – **Not applicable. The District is not required to adopt a budget.**
  - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

**Exception** – The Corporation has a written policy for purchasing; however, the policy did not set forth the Corporation’s procedures for adding vendors to the vendor list.

**Management's Response/Corrective Action** - The Corporation adopted a written policy on December 14, 2017 which includes the procedure used by the Corporation for adding vendors to the vendor list.

- c) *Disbursements*, including processing, reviewing, and approving – **No Exceptions**.
- d) *Receipts*, including receiving, recording, and preparing deposits – **No Exceptions**.
- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked. – **Not applicable. The District does not have any employees.**
- f) *Contracting*, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

**Exception** – The Corporation has a written policy; however, the policy did set forth the Corporation's procedures for requiring written contracts, standard terms and conditions, legal review, and monitoring.

**Management's Response/Corrective Action** – The Corporation adopted a written policy on December 14, 2017 which includes the procedure used by the Corporation for requiring written contracts, standard terms and conditions, legal review, and monitoring.

- g) *Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)*, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage – **Not applicable. The District does not have any credit cards.**
- h) *Travel and expense reimbursement*, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers – **Not applicable. The District does not have any travel.**
- i) *Ethics*, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits. –

**Exception** – The Denham Springs Economic Development District's board is comprised of the council members for the City of Denham Springs and they adhere to the City's ethics policies. The City does have written policies and procedures but policies do not appear to address a system to monitor possible ethics violations. Also, the City's policies do not appear to require that all employees, including elected officials, annually attest through signature verification that they have read the City's ethics policy. The Denham Springs Economic Development Corporation is a nonprofit and this AUP procedure does not apply to nonprofits.

**Management's Response/Corrective Action** – The City will consider updates to the policies to include a system to monitor ethics violations. Additionally, the City will have employees and elected officials attest through signature annually that they have read the City's ethics policy.

- j) *Debt Service*, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements. – **No Exceptions.**

***Board (or Finance Committee, if applicable)***

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2. Obtain and review the board/committee minutes for the fiscal period, and:
- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board’s enabling legislation, charter, or other equivalent document. – **No Exceptions.**
  - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity’s prior audit (GAAP-basis). – **No Exceptions. Financial statements are presented at the meetings but budget-to-actual is not required. The District is not required to adopt a budget.**
    - (1) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan. – **Not applicable. The District is not required to adopt a budget.**
  - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period. – **No Exceptions.**

***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management’s representation that the listing is complete. – **No Exceptions.**
4. Using the listing provided by management, select all of the entity’s bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
- a) Bank reconciliations have been prepared. - **No Exceptions.**
  - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and - **No Exceptions.**
  - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period. - **No Exceptions.**

## *Collections*

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5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete. – **No Exceptions.**
6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. **For each cash collection location selected:**
  - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee. – **No Exceptions.**
  - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected. – **No Exceptions.**
  - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
    - (1) Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location. - **No Exceptions.**
    - (2) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any Exceptions. – **No Exceptions.**
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections. – **No Exceptions.**

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

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete. – **No Exceptions.**
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the

entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system. – **No Exceptions.**
  - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase. – **No Exceptions.**
  - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice. – **No Exceptions.**
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

**Exception** - A third party outside accountant handles processing payments and adds vendors to the accounting system. The third party outside accountant does not have check signing authority on the District's bank accounts. The mitigating control is that the authorized check signers review and approve payments and physically sign all checks.

**Management's Response/Corrective Action** – No corrective action is required.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases. – **No Exceptions.**
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any Exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks. – **No Exceptions.**
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any Exceptions. – **No Exceptions. No signature stamp or signature machines is used.**

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete. – **Not applicable. The District does not have any credit cards.**

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

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

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.] – **Not applicable. The District does not have any credit cards.**
- b) Report whether finance charges and/or late fees were assessed on the selected statements. – **Not applicable. The District does not have any credit cards.**
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
- (1) An original itemized receipt (i.e., identifies precisely what was purchased) – **Not applicable. The District does not have any credit cards.**
  - (2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating. – **Not applicable. The District does not have any credit cards.**
  - (3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.) – **Not applicable. The District does not have any credit cards.**
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any Exceptions. – **Not applicable. The District does not have any credit cards.**
- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any Exceptions. (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception. – **Not applicable. The District does not have any credit cards.**

## *Travel and Expense Reimbursement*

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17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete. – **Not applicable. The District does not have any travel and expense reimbursements for fiscal year 2017.**
18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)) and report any amounts that exceed GSA rates. – **Not applicable.**
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
  - a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates. –**Not applicable.**
  - b) Report whether each expense is supported by:
    - (1) An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.] – **Not applicable.**
    - (2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating). – **Not applicable.**
    - (3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance). – **Not applicable.**
  - c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any Exceptions. (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception. – **Not applicable.**
  - d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement. – **Not applicable.**

## *Contracts*

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20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete. – **No Exceptions.**

21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid. – **No Exceptions.**
  - b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
    - (1) If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder) – **No contracts subject to the LA Public Bid Law during the year.**
    - (2) If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice. – **No Exceptions.**
  - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment. – **No contracts amended.**
  - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract. – **Complied with terms and conditions of contract.**
  - e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter). – **Board reviews and approves.**

### ***Payroll and Personnel***

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22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management’s representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure. – **Not applicable. The District does not have any employees.**
  - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy. – **Not applicable. The District does not have any employees.**
23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.) – **Not applicable. The District does not have any employees.**
  - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials. – **Not applicable. The District does not have any employees.**
  - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave. – **Not applicable. The District does not have any employees.**
24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management’s representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management. – **Not applicable. The District does not have any employees.**
25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines. - **Not applicable. The District does not have any employees.**

***Ethics (excluding nonprofits)***

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26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed. – **No Exceptions.**
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy. **No allegations received.**

***Debt Service (excluding nonprofits)***

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained. **Not Applicable - No new debt was issued.**
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants. **No Exceptions.**

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off. **Not Applicable– No tax millages.**

***Other***

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31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled. – **None noted.**

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

33. If the practitioner observes or otherwise identifies any Exceptions. regarding management’s representations in the procedures above, report the nature of each exception. – **No Exceptions.**

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

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

Respectfully submitted,

*Harris J. Bougeois, CPA*

Denham Springs, Louisiana  
December 14, 2017