

SULPHUR PARKS AND RECREATION
SULPHUR, LOUISIANA

ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORTS

Year Ended December 31, 2018

CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	3-11
INDEPENDENT AUDITORS' REPORT	12-14
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
Statement of net position	17
Statement of activities	18
FUND FINANCIAL STATEMENTS	
Balance sheet-governmental funds	21
Reconciliation of the balance sheet-Governmental Funds to the statement of net position	22
Statement of revenues, expenditures and changes in fund balances-governmental funds	23
Reconciliation of the statement of revenues, expenditures and changes in fund balances-governmental funds to the statement of activities	24
NOTES TO BASIC FINANCIAL STATEMENTS	25-46
REQUIRED SUPPLEMENTAL INFORMATION	
Budgetary comparison schedule-general fund	48
Schedule of employer contributions	49
Schedule of employers' proportionate share of net pension liability	50
Other postemployment benefits – schedule of changes in total OPEB liabilities and related ratios	51
OTHER INFORMATION	
Schedule of compensation, benefits and other payments to chief executive officer	53
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	54-55
SCHEDULE OF FINDINGS AND RESPONSES	56

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis

Within this section of Sulphur Parks and Recreation's (District) annual financial report, the District's management is pleased to provide this narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2018. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

FINANCIAL HIGHLIGHTS

- The District's assets exceeded its liabilities by \$65,757,132 (net position) for the fiscal year reported.
- Total revenues of \$9,330,416 exceeded total expenditures of \$6,822,426, which resulted in a current year surplus of \$2,507,990, compared to the prior year surplus of \$2,391,244.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets, of \$52,573,975 include property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net position of \$13,183,157 represents the portion available to maintain the District's continuing obligations to citizens and creditors.
- The District's governmental funds reported total ending fund balance of \$14,429,854 this year. This compares to the prior year ending fund balance of \$13,362,037, reflecting an increase of \$1,067,817 during the current year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$14,429,854 or 175% of total general fund expenditures and 155% of total general fund revenues.
- Overall, the District continues to maintain a strong financial position and is continuing to work to improve on this financial position.

The above financial highlights are explained in more detail in the "financial analysis" section of this document.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

OVERVIEW OF FINANCIAL STATEMENTS

This Management's Discussion and Analysis document introduces the District's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the basic financial statements. The District also includes in this report additional information to supplement the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's overall financial status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in accrual accounting and elimination or reclassification of activities between funds.

The first of these government-wide statements is the *Statement of Net Position*. This is the government-wide statement of position presenting information that includes all of the District's assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other nonfinancial factors such as diversification of the taxpayer base, or the condition of District infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the District's distinct activities or functions on revenues provided by the District's taxpayers.

Both government-wide financial statements distinguish governmental activities of the District that are principally supported by property taxes and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include principally general government and recreation.

The government-wide financial statements are presented on pages 17 and 18 of this report.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

FUND FINANCIAL STATEMENTS

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The District uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the District's most significant funds rather than the District as a whole. Major funds are separately reported while all others are combined into a single, aggregated presentation.

The District has one kind of fund:

Governmental funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund operating statement provide a reconciliation to assist in understanding the differences between these two perspectives.

The basic governmental fund financial statements are presented on pages 21 through 24 of this report.

NOTES TO THE BASIC FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the District's budget presentations. Budgetary comparison statements are included as "required supplemental information" for the general fund. These statements and schedules demonstrate compliance with the District's adopted and final revised budget. Required supplemental information can be found on page 48 of this report.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's net position at fiscal year-end is \$65,757,132. The following table provides a summary of the District's net position:

	<u>2018</u>		<u>2017</u>	
Assets:				
Current assets and other assets	\$ 15,004,008	22%	\$ 13,760,972	21%
Capital assets	<u>52,573,975</u>	<u>78</u>	<u>51,092,801</u>	<u>79</u>
Total assets	<u>67,577,983</u>	<u>100%</u>	<u>64,853,773</u>	<u>100%</u>
Deferred outflows of resources	<u>422,185</u>	<u>100%</u>	<u>678,164</u>	<u>100%</u>
Liabilities:				
Current liabilities	391,038	23%	398,935	36%
Long-term liabilities	<u>1,295,417</u>	<u>77</u>	<u>713,030</u>	<u>64</u>
Total liabilities	<u>1,686,455</u>	<u>100%</u>	<u>1,111,965</u>	<u>100%</u>
Deferred inflows of resources	<u>556,581</u>	<u>100%</u>	<u>89,964</u>	<u>100%</u>
Net position:				
Net investment in capital assets	52,573,975	80%	51,092,801	79%
Unrestricted	<u>13,183,157</u>	<u>20</u>	<u>13,237,207</u>	<u>21</u>
Total net position	<u>\$ 65,757,132</u>	<u>100%</u>	<u>\$ 64,330,008</u>	<u>100%</u>

The District continues to maintain a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations. The current ratio is 38.4 to 1 (34.5 to 1 for 2017).

The District reported positive balances in net position, which increased by \$2,507,990 (\$2,391,244 increase for 2017). The District's overall financial position improved during the fiscal year 2018.

Note that approximately 80% (79% for 2017) of the governmental activities' net position is tied up in capital. The District uses these capital assets to provide services to its taxpayers.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

The following table provides a summary of the District's changes in net position:

	<u>2018</u>		<u>2017</u>	
Revenues:				
Program:				
Charges for services/fines	\$ 2,314,255	25%	\$ 2,143,399	24%
Operating grants	-	-	-	-
General:				
Property taxes	6,883,584	74	6,706,523	75
Other taxes	77,474	1	75,850	1
Interest	12,731	-	7,077	-
Other	42,372	-	23,679	-
Total Revenues	<u>9,330,416</u>	<u>100%</u>	<u>8,956,528</u>	<u>100%</u>
Program expenses:				
General and administrative	1,642,231	24%	1,727,768	26%
Recreation	2,266,455	33	1,986,372	31
Aquatic center	1,987,704	29	1,947,935	30
Golf course	807,599	12	769,959	12
Grill	52,077	1	67,996	1
Swimming pools	33,687	1	25,057	-
Tennis	8,563	-	17,652	-
Loss on disposal of assets	24,110	-	22,545	-
Total Expenses	<u>6,822,426</u>	<u>100%</u>	<u>6,565,284</u>	<u>100%</u>
Change in net position	2,507,990		2,391,244	
Beginning net position	64,330,008		61,938,764	
Prior period adjustment	(1,080,866)		-	
Beginning net position-restated	<u>63,249,142</u>		<u>61,938,764</u>	
Ending net position	<u>\$ 65,757,132</u>		<u>\$ 64,330,008</u>	

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

GOVERNMENTAL REVENUES

The District is heavily reliant on property taxes to support governmental operations. Property taxes provided 74% (75% for 2017) of the District's total revenues. Because of the District's healthy financial position, we have been able to earn \$12,731 in interest earnings to support governmental activities. Also note that program revenues cover only 25% (24% for 2017) of governmental operating expenses. This means that the government's taxpayers and the District's other general revenues fund 75% (76% for 2017) of the governmental activities. As a result, the general economy and the local businesses have a major impact on the District's revenue streams.

GOVERNMENTAL FUNCTIONAL EXPENSES

Recreation services comprise 33% (31% for 2017) of the District's total expenses and golf course expenses are 12% (12% for 2017) of total District expenses. The Aquatic Center comprised 29% (30% for 2017) of the total expenses.

This table presents the cost of each of the District's programs, including the net costs (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial burden that was placed on the District's taxpayers by each of these functions.

Governmental Activities

	<u>2018</u>		<u>2017</u>	
	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Net Cost of Services</u>
General and administrative	\$ 1,642,231	\$ 1,642,231	\$ 1,727,768	\$ 1,727,768
Recreation	2,266,455	2,197,490	1,986,372	1,922,123
Aquatic Center	1,987,704	160,642	1,947,935	305,335
Golf course	807,599	414,247	769,959	367,542
Grill	52,077	27,201	67,996	34,851
Swimming pool	33,687	33,687	25,057	25,057
Tennis	<u>8,563</u>	<u>8,563</u>	<u>17,652</u>	<u>16,664</u>
Total	<u>\$ 6,798,316</u>	<u>\$ 4,484,061</u>	<u>\$ 6,542,739</u>	<u>\$ 4,399,340</u>

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

As discussed, governmental funds are reported in the fund statements with a short-term, inflow and outflow of spendable resources focus. This information is useful in assessing resources available at the end of the year in comparison with upcoming financing requirements. Governmental funds reported ending fund balances of \$14,429,854 (\$13,362,037 for 2017). Of this year-end total, \$14,429,854 is unassigned indicating availability for continuing District service requirements.

The total ending fund balances of governmental funds show an increase of \$1,067,817 (an increase of \$2,122,895 for 2017).

MAJOR GOVERNMENTAL FUNDS

The General Fund is the District's primary operating fund and the largest source of day-to-day service delivery. The General Fund's fund balance increased by \$1,067,817. In fiscal year 2017, the fund balance increased by \$2,122,895.

The revenues show an increase of \$375,332 or 4% over the prior year, primarily due to increases in property tax and aquatic center revenues. The expenditures side shows an increase of \$1,430,410 or 21% from the prior year. This increase related primarily to more capital assets purchased in 2018 as compared to 2017.

The General Fund's ending fund balance is considered very adequate, representing the equivalent of 175% of annual expenditures.

BUDGETARY HIGHLIGHTS

The General Fund - The revenue side of the original budget for the General Fund was increased by \$38,500 or 1% this year over last year. The primary change in the general fund's revenue budget relates to anticipated increases in aquatic center revenues.

The expenditure side of the original budget for the general fund was increased by \$1,133,000 or 9% this year from last year, mainly due to capital outlay expenditures.

The revenue budget was not amended during 2018.

The actual revenues were more than the final budget by \$913,916 or 10% and the actual expenditures were less than the final budget by \$2,399,501 or 29%.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The District's net investment in capital assets for governmental activities as of December 31, 2018, was \$52,573,975. See Note C for additional information about changes in capital assets during the fiscal year and outstanding at the end of the year. The following table provides a summary of capital asset activity.

	<u>2018</u>	<u>2017</u>
Non-depreciable asset:		
Land	\$ 23,149,397	\$ 23,149,397
Construction in progress	2,128,408	1,625,037
Total non-depreciable	<u>\$ 25,277,805</u>	<u>\$ 24,774,434</u>
Depreciable assets:		
Buildings	\$ 15,878,121	\$ 15,878,121
Furniture & fixtures	123,352	120,050
Transportation equipment	339,680	312,260
Equipment	3,907,659	3,897,829
Infrastructures	<u>19,599,105</u>	<u>17,699,349</u>
Total depreciable assets	39,847,917	37,907,609
Less accumulated depreciation	<u>12,551,747</u>	<u>11,589,241</u>
Book value-depreciable assets	<u>\$ 27,296,170</u>	<u>\$ 26,318,368</u>
Percentage depreciated	<u>32%</u>	<u>31%</u>
Book value-all assets	<u>\$ 52,573,975</u>	<u>\$ 51,092,802</u>

At December 31, 2018, the depreciable capital assets for governmental activities were 32% depreciated. This compares more than the December 31, 2017 percentage. This comparison indicates that the District replaced its assets at a higher rate than they are depreciating.

The major additions are:

- Maplewood Commons Park
- 15 Club Car Golf Carts
- Frash Tennis Court Improvements
- Field 11/Peltier Field Improvements
- John Deere 2500B Greensmower
- Various Recreation and Concession Equipment

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Management's Discussion and Analysis (Continued)

ECONOMIC CONDITIONS AFFECTING THE DISTRICT

Since the primary revenue stream for the District is property taxes, the District's property tax revenues are subject to changes in the economy.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances, comply with finance-related laws and regulations, and demonstrate the District's commitment to public accountability. If you have any questions about this report or would like to request additional information, contact the District's Director Steve Gayfield, 933 West Parish Road, Sulphur, LA 70663.

GRAGSON, CASIDAY & GUILLORY, LLP

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

April 22, 2019

Board of Commissioners
Sulphur Parks and Recreation
Sulphur, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sulphur Parks and Recreation, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Sulphur Parks and Recreation's 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.

Auditors' Responsibility

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

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

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

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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 Sulphur Parks and Recreation as of December 31, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, the schedule of employer's proportionate share of net pension liability, the schedule of employer's contributions and the other postemployment benefits – schedule of changes in total OPEB liabilities and related ratios on pages 3 through 11 and 48 through 51 respectively 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 the 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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sulphur Parks and Recreation's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to chief Executive Officer is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is the responsibility of management and was derived from the relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to Chief Executive Officer is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2019, on our consideration of Sulphur Parks and Recreation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not 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 Sulphur Parks and Recreation's internal control over financial reporting and compliance.

Dragsen, Casiday & Guillory

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Statement of Net Position

December 31, 2018

ASSETS	
Cash	\$ 7,082,227
Investments	723,831
Receivables	6,991,760
Inventory	23,074
Net pension asset	183,116
Capital assets:	
Land	23,149,397
Capital assets, net	<u>29,424,578</u>
Total assets	<u>67,577,983</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>422,185</u>
LIABILITIES	
Accounts and other accrued payables	391,038
Long-term liabilities	
Net OPEB obligation	<u>1,295,417</u>
Total liabilities	<u>1,686,455</u>
DEFERRED INFLOWS OF RESOURCES	<u>556,581</u>
NET POSITION	
Net investment in capital assets	52,573,975
Net position - unrestricted	<u>13,183,157</u>
	<u>\$ 65,757,132</u>

The accompanying notes are an integral part of the basic financial statements.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Statement of Activities

Year Ended December 31, 2018

<u>Activities</u>	Program Revenues			<u>Net Revenues (Expenses) and Changes in Net Position</u>
	<u>Expenses</u>	<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General and administrative	\$ 1,642,231	\$ -	\$ -	\$ (1,642,231)
Recreation	2,266,455	68,965	-	(2,197,490)
Aquatic center	1,987,704	1,827,062	-	(160,642)
Golf course	807,599	393,352	-	(414,247)
Grill	52,077	24,876	-	(27,201)
Swimming pools	33,687	-	-	(33,687)
Tennis	8,563	-	-	(8,563)
Total Governmental Activities	\$ 6,798,316	\$ 2,314,255	\$ -	(4,484,061)
General Revenues:				
Taxes -				
Property taxes, levied for general purposes				6,883,584
State revenue sharing				77,474
Interest				12,731
Loss on disposal of assets				(24,110)
Miscellaneous				42,372
Total general revenues				6,992,051
Change in net position				2,507,990
Net position- Beginning				
Prior period adjustment				(1,080,866)
Net position- Beginning restated				63,249,142
Net position - Ending				\$ 65,757,132

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS

FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Balance Sheet - Governmental Funds

December 31, 2018

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 7,082,227	\$ 6,658,381
Investments	723,831	316,834
Receivables:		
Ad valorem tax, net	6,928,929	6,700,892
State revenue sharing	51,278	50,567
Other	11,553	8,323
Inventory, at cost	23,074	25,975
Total Assets	14,820,892	13,760,972
DEFERRED OUTFLOWS OF RESOURCES		
	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 14,820,892	\$ 13,760,972
LIABILITIES		
Accounts payable	\$ 193,493	\$ 241,829
Accrued liabilities	197,545	157,106
Total Liabilities	391,038	398,935
DEFERRED INFLOWS OF RESOURCES		
	-	-
FUND BALANCES		
Unassigned	14,429,854	13,362,037
Total Fund Balances	14,429,854	13,362,037
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 14,820,892	\$ 13,760,972

The accompanying notes are an integral part of the basic financial statements.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Reconciliation of the Balance Sheet-Governmental Funds to the
Statement of Net Position

December 31, 2018

Total fund balance for governmental fund at December 31, 2018		\$ 14,429,854
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ 23,149,397	
Capital assets, net of \$12,551,747 accumulated depreciation	<u>29,424,578</u>	52,573,975
Deferred outflows and inflows are not financial resources or currently payable		
Deferred outflows	422,185	
Deferred inflows	<u>(556,581)</u>	(134,396)
Long-term obligations which are not included as a liability in the governmental fund type balance sheet:		
Net pension asset		183,116
Net OPEB obligation		<u>(1,295,417)</u>
Total net position of governmental activities at December 31, 2018		<u>\$ 65,757,132</u>

The accompanying notes are an integral part of the basic financial statements.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Statement of Revenues, Expenditures and
Changes in Fund Balance - Governmental Funds

Year Ended December 31, 2018

	2018	2017
REVENUES		
Ad valorem tax, net	\$ 6,883,584	\$ 6,706,523
State revenue sharing	77,474	75,850
Recreation center concessions	68,965	64,249
Aquatic center	1,827,062	1,642,600
Golf course	393,352	402,417
Grill	24,876	31,701
Tennis	-	988
Interest	12,731	7,077
Miscellaneous	42,372	23,679
Total Revenues	9,330,416	8,955,084
EXPENDITURES		
Current operating:		
Recreation	4,306,276	3,112,942
Aquatic center	1,402,336	1,327,832
Golf course	819,109	730,292
Grill	50,837	65,529
Swimming pools	33,687	24,329
Tennis	8,562	17,321
General and administration	1,641,792	1,553,944
Total Expenditures	8,262,599	6,832,189
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,067,817	2,122,895
FUND BALANCE - BEGINNING	13,362,037	11,239,142
FUND BALANCE - ENDING	\$ 14,429,854	\$ 13,362,037

The accompanying notes are an integral part of the basic financial statements.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

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

Year Ended December 31, 2018

Total net changes in fund balance at December 31, 2018 per Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 1,067,817
The change in net position reported for governmental activities in the statement of activities 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>	
Capital outlay which is considered expenditures on the Statement of Revenues, Expenditures and Changes in Fund Balance	\$ 2,685,850
Depreciation expense for the year ended December 31, 2018	(1,180,566)
Loss on disposal of assets	(24,110)
	1,481,174
Net pension (expense) benefit is reported in the governmental funds as expenditures as they are paid, however, in the satatement of activities the net position (expense) benefit is reported according to estimates required by GASB 68	(34,790)
In the Statement of Activities, post employment benefits (OPEB) are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for this item are measured by the amount of financial resources used (essentially the amounts actually paid).	(6,211)
	(6,211)
Total changes in net position at December 31, 2018 per Statement of Activities	\$ 2,507,990

The accompanying notes are an integral part of the basic financial statements.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Sulphur Parks and Recreation was created by the Calcasieu Parish Police Jury as authorized by Act 82 of 1948. The District is governed by a board of five commissioners who are appointed by the Calcasieu Parish Police Jury. The District establishes regulations governing the parks, playgrounds and community centers and provides administration, management, maintenance and operations of the facilities.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformance with GASB Statement No. 14, the Sulphur Parks and Recreation includes all funds, account groups, et cetera, that are within the oversight responsibility of the Sulphur Parks and Recreation.

As the governing authority, for reporting purposes, the Calcasieu Parish Police Jury is the financial reporting entity. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Calcasieu Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organization's governing body and
 - a. The ability of the Calcasieu Parish Police Jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Calcasieu Parish Police Jury.
2. Organizations for which the Calcasieu Parish Police Jury does not appoint a voting majority but are fiscally dependent on the Calcasieu Parish Police Jury.
3. Organizations for which the reporting entity financial statements could be misleading if data of the organization is not included because of the nature or significance of the relationship.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Based upon the application of these criteria, Sulphur Parks and Recreation is a component unit of the Calcasieu Parish Police Jury's reporting entity.

2. Basis of Presentation

The accompanying basic financial statements of Sulphur Parks and Recreation have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, "Basic Financial Statements and Management's Discussion and Analysis-for State and Local Governments", issued in June 1999.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The statement of activities presents a comparison between direct expenses and program revenues for each of the functions of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees and charges paid by the recipients of services offered by the District, and (b) grants and contributions that are restricted to meeting the operational or capital requirement of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts. The emphasis on fund financial statements is on major funds, each displayed on a separate column. A fund is considered major if it is the primary operating fund of the District or its total assets, liabilities, revenues, or expenditures of the individual governmental fund is at least 10 percent of the corresponding total for all governmental funds of that category or type; and total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The District reports the following major fund:

The General Fund is the primary operating fund of the District. It accounts for all financial resources.

3. Measurement Focus/Basis of Accounting

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

Measurement Focus

On the government-wide statement of net position and the statement of activities, activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery) and financial position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Basis of Accounting

In the government-wide statement of net position and statement of activities, activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements are reported using the current financial resources management focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

4. Cash and investments

Cash

Cash includes amounts in demand deposits and time deposits with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2018, the District has \$7,196,898 in deposits (collected bank balances). These deposits are secured from risk by federal deposit insurance and pledged securities held by the custodial bank in the name of the fiscal agent bank.

Investments

State statutes authorize the District to invest in Louisiana Asset Management Pool (LAMP), U.S. Treasury notes and bonds, U.S. agency securities, and other governmental debt obligations with limited exceptions as noted in LA-R.S. 33.2955. Investments in time certificates of deposits can be placed with state banks, national banks or federal credit unions as permitted in state statute. Corporate bonds can purchased with from companies incorporated in the United States, with a Standards and Poor's credit rating of AA- and have a maturity date of 5 years or less.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As of December 31, 2018, the District had its assets in money market instruments, certificates of deposits, U.S. Treasury notes, U.S. agency securities and municipal bonds held in custody by financial institutions. The below schedule identifies the investments by type:

Type of Debt Investment	Fair Value	Maturity			Credit Rating (Standards and Poor's)
		Less than 1 Year	1 to 5 Years	6 to 10 Years	
Investments at fair value					
Federal Home Loan Bank Bonds	\$ 150,058	\$ -	\$ 150,058	\$ -	AA+
Federal Home Loan Mortgage Corporation Bonds	250,826	-	250,826	-	AA+
Subtotal	<u>400,884</u>	<u>-</u>	<u>400,884</u>	<u>-</u>	
Investments measured at the net asset value (NAV)					
External Investment Pool	322,947	322,947	-	-	AAAm
Total Investments	<u>\$ 723,831</u>	<u>\$ 322,947</u>	<u>\$ 400,884</u>	<u>\$ -</u>	

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements as of December 31, 2018:

Level 2 inputs – U.S. government securities totaling \$400,884 are valued using a market-based approach comprised of a combination of directly observable quoted prices and a matrix pricing technique that relies on the securities' relationship to other benchmark quoted securities.

Interest Rate Risk: The District's policy on investments states that safety of principal is the foremost objective, followed by liquidity and yield. Each investment transaction shall seek to first insure that capital losses are avoided no matter the sources.

Credit Rate Risk: The District's has investments in an external investment pool \$322,947 that is rated AAAM by Standard & Poor's. Its policy states that investment decisions should not incur unreasonable risks in order to obtain current investment income and requires the overall quality rating to be no lower than AA- as measured by Standard & Poor's or the equivalent rating (Aa3) by Moody's Investor Service.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Concentration of Credit Risk: The District's investment portfolio had concentration of credit risk on December 31, 2018 due to the holdings of securities issued by the following U.S. government securities that are both permitted by Statute and by the District's Investment Policy. The District's investment portfolio consisted of 21% of securities issued by the Federal Home Loan Bank, 35% of securities issued by federal Home Loan Mortgage Corporation, and 44% in money market investments in LAMP.

Custodial Credit Risk-Investments: For an investment, this is the risk that, in the event of the failure of the counter party, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy addresses custodial credit risk for investments by requiring that they must be held by national banks, statechartered banks or a national or state trust company in the name of the District.

The \$322,947 in money market investments is invested in LAMP. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LA-R.S. 33.2955. LAMP is a governmental investment pool that reports at fair value. The following facts are relevant for investment pools:

Credit risk: LAMP is rated AAAM by Standard & Poor's.

Custodial credit risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Concentration of credit risk: Pooled investments are excluded from the 5 percent disclosure requirement.

Interest rate risk: LAMP is designed to be highly liquid to give its participants immediate access to their account balances. LAMP prepares its own interest rate disclosure using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days or 762 days for U.S. Government floating/variable rate investments.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Budgets

A budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. All annual appropriations lapse at fiscal year end.

On or before the last meeting of each year, the budget is prepared by fund, function and activity, and includes information on the past year, current year estimates and requested appropriations for the next fiscal year.

The proposed budget is presented to the government's Board of Commissioners for review. The board holds a public hearing and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues and reserves estimated.

The budget was not amended during the year.

6. Inventory

Inventory is valued at cost, which approximates net realizable value, and is determined using the FIFO method. Inventory consists of golf equipment and concessions held for resale.

7. Accounts Receivable

Sulphur Parks and Recreation utilizes the allowance method to recognize doubtful accounts for ad valorem taxes. The allowance for doubtful accounts at December 31, 2018 was \$0.

Uncollectible amounts due for other receivables of governmental funds are recognized as bad debts at the time information becomes available which would indicate that the particular receivable is not collectible.

8. Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Depreciation of all exhaustible capital

GRAGSON, CASIDAY & GULLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and infrastructures	20-40 years
Furniture and fixtures	5-7 years
Equipment	5-7 years
Transportation equipment	5 years

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

9. Compensated Absences

Vacation Employees may carry forward only a maximum of forty (40) hours of vacation past December 31st of any given year. Those hours in excess of forty (40) hours will be converted into sick leave. Employees may request monetary compensation for unused vacation up to forty (40) hours. The request must be made in writing no later than December 15th and compensation will be at the employee's regular hourly rate.

Sick leave The extent permitted by law, employees hired prior to January 1, 2007, at the time of retirement from Sulphur Parks and Recreation through the Parochial Retirement System shall be able to convert any unused accumulated sick leave to obtain additional benefits from said retirement system. Employees hired on or after January 1, 2007, who has at least twenty (20) years of service with Sulphur Parks and Recreation, shall be paid for accrued unused sick leave at the time of regular retirement up to a maximum of four hundred eighty (480) hours. No unused sick leave will be transferable to the Parochial Retirement System for these employees.

Each full time employee with less than two years of service is eligible for five (5) days of sick leave. Each full time employee with two or more years of service is eligible for eighteen (18) days of sick leave. Employees may accumulate up to 480 hours of sick leave. Any sick leave above the 480 hours will be accumulated as retirement time and may not at any time be converted to sick leave. Upon retirement from SPAR's employ, accumulated retirement time will be added to actual time worked, thereby increasing the employee's retirement benefits.

At December 31, 2018, the District did not have an accrual for compensated absences.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Equity Classification

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position– All other net position that does not meet the definition of "restricted" or "net invested in capital assets".

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as restricted, assigned and unassigned.

- a. Restricted fund balance – Includes fund balance amounts that are intended to be used for specific purposes based on generally outside actions.
- b. Assigned fund balance – Includes fund balance amounts that are intended to be used for specific purposes based on internal (Board) actions.
- c. Unassigned fund balance – Includes positive fund balance within the general fund which has not been classified within the above mentioned categories.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the District to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the District that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Use of Estimates

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

12. Revenues, Expenditures, and Expenses

Program Revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the District's taxpayers, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Revenues

Ad valorem taxes and the related state revenue sharing are recorded in the year taxes are due and payable. Ad valorem taxes are assessed on a calendar year basis, become due on November 15 of each year, and become delinquent on December 31. The taxes are generally collected in December, January and February of the fiscal year. Interest on interest-bearing deposits is recorded or accrued as revenues when earned. Substantially all other revenues are recorded when received.

Expenditures

The District's primary expenditures include salaries and insurance, which are recorded when the liability is incurred. Capital expenditures and purchases of various operating supplies are regarded as expenditures at the time purchased.

13. Subsequent Events

Management has evaluated subsequent events through April 22, 2019, the date the financial statements were available to be issued.

14. Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operation.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE B - AD VALOREM TAXES

For the year ended December 31, 2018 taxes were levied on property with taxable assessed valuations as follows:

	Approximate Valuations	Taxes
General corporate purposes	\$ 706,617,322	10.25 mills

NOTE C - CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2018 follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Land	\$ 23,149,397	\$ -	\$ -	\$ 23,149,397
Buildings	15,878,121	-	-	15,878,121
Furniture and Fixtures	120,051	3,301	-	123,352
Transportation Equipment	312,259	80,439	(53,017)	339,681
Equipment	3,897,828	198,983	(189,154)	3,907,657
Infrastructures	17,699,349	1,899,756	-	19,599,105
Construction In Progress	<u>1,625,037</u>	<u>2,403,128</u>	<u>(1,899,756)</u>	<u>2,128,409</u>
Totals at historical cost	62,682,042	4,585,607	(2,141,927)	65,125,722
Less accumulated depreciation for:				
Buildings	4,267,718	393,047	-	4,660,765
Furniture and Fixtures	99,462	4,841	-	104,303
Transportation Equipment	269,850	23,680	(53,016)	240,514
Equipment	2,685,517	269,131	(165,044)	2,789,604
Infrastructures	<u>4,266,694</u>	<u>489,867</u>	<u>-</u>	<u>4,756,561</u>
Total accumulated depreciation	<u>11,589,241</u>	<u>1,180,566</u>	<u>(218,060)</u>	<u>12,551,747</u>
Governmental activities capital assets, Net	<u>\$ 51,092,801</u>	<u>\$ 3,405,041</u>	<u>\$ (1,923,867)</u>	<u>\$ 52,573,975</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 4,006
Aquatic center	573,630
Recreation	528,947
Golf course	73,290
Grill	693
Total	<u>\$ 1,180,566</u>

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE C - CAPITAL ASSETS - CONTINUED

The construction in progress at December 31, 2018 consisted of the following:

<u>Project</u>	<u>Costs Through December 31, 2018</u>	<u>Estimated Completion Date</u>	<u>Estimated Remaining Costs to Complete</u>
Carlyss Expansion	\$ 1,457,606	June 2019	\$ 1,825,000
McMurry Fld41 Batting Cage	476,666	Early 2019	525,000
Natarorium Sound System	9,440	Early 2019	10,000
Aquatic Center Chiller Project	181,047	Early 2019	200,000
Property Swap – Carlyss Myers Rd	<u>3,650</u>	Early 2019	<u>60,000</u>
	<u>\$ 2,128,409</u>		<u>\$ 3,343,000</u>

NOTE D - RETIREMENT COMMITMENTS

Full-time employees of the district are members of the Parochial Employees' Retirement System of Louisiana, a multi-employer (cost-sharing), public employee retirement system (PERS), controlled and administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. Eligible employees of the district were members of Plan A during 2018.

Under Plan A, members with 10 years of creditable service may retire at age sixty; members with 25 years of service may retire at age fifty-five; members with 30 years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's final average compensation (defined as the average of the highest consecutive 36 months) multiplied by his years of creditable service. However, any employee who was a member of the supplemental plan only prior to the revision date has the benefit earned for service credited prior to the revision date on the basis of one percent of final compensation plus two dollars per month for each year credited prior to the revision date, and three percent of final compensation for each year of service credited after the revision date. The retirement allowance may not exceed the greater of one hundred percent of a member's final salary or the final compensation.

Contributions to the System include 1/4 of 1% of the taxes shown to be collectible by the tax rolls of each parish, except Orleans and East Baton Rouge Parishes. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. State statute requires covered employees to contribute a percentage of their salaries, 2% under Plan B and 9.5% under Plan A, to the System.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE D - RETIREMENT COMMITMENTS - CONTINUED

As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by an actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The employer contributions for 2018 were 13.00% of covered employees' salaries under Plan A.

The payroll for the District employees covered by the system for the year ended December 31, 2018 was \$1,656,170; the District's total payroll was \$1,525,500. The District contributed \$190,533 to the system during the year.

The System: issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (504) 928-1361.

At December 31, 2018, the District reported a liability (asset) of \$(183,116) for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to their pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2017, the District's proportion was .1632570%.

For the year ended December 31, 2018, the District recognized pension expense of \$34,790 including employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions, \$(3,542). At December 31, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 118,535
Difference between expected and actual assumption	231,119	
Difference between expected and actual Investment	-	423,051
Changes in proportion and differences between:		
Contributions and proportionate share of contributions	533	14,995
Contributions subsequent to the measurement date	190,533	-
Total	\$ 142,185	\$ 556,581

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CERTIFIED PUBLIC ACCOUNTANTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE D - RETIREMENT COMMITMENTS - CONTINUED

\$190,533 reported as deferred outflows of resources related to pensions resulting from District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other accounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Amount
2019	\$ 30,423
2020	(24,284)
2021	(138,701)
2022	(164,132)
2023	-
Thereafter	-

Actuarial methods and assumption. The total pension liability in the December 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.75% (Net of investment expense)
Expected Remaining Service Lives	4 years
Projected Salary Increases	Plan A – 5.25% (2.75% Merit/2.5% Inflation)
Cost of Living Adjustments	The present values of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet amortized by the Board of Trustees.
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Health Annuitant Mortality Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE D - RETIREMENT COMMITMENTS - CONTINUED

The discount rate used to measure the total pension liability was 6.75% for Plan A. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations and projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

Best estimates of arithmetic real rates of return for major asset class included in the System's target asset allocation as of December 31, 2017 are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Portfolio Real Rate of Return
Fixed income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real assets	2%	0.12%
Total	100%	5.62%
Inflation		2.00%
Expected Arithmetic Nominal Return		7.62%

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE D - RETIREMENT COMMITMENTS - CONTINUED

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent of the estimated duration of the System's liabilities. Annuity values calculated based on this mortality were compared to those produced by using a set back of standard tables. The result of the procedure indicated that the tables used would produce liability values approximating the appropriate generational mortality tables.

Sensitivity to changes in discount rate. The following presents the net pension liability of the District calculated using the discount rate of 6.75%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate.

	Changes in Discount Rate 2018		
	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net Pension Liability (Asset)	\$ 902,828	\$ (183,116)	\$ (1,150,077)

NOTE E - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Suits have been filed against the District as a result of falls and injuries by spectators. The suits are in stages of discovery. The cases will be vigorously defended, and unfavorable outcomes are not expected.

NOTE F - DEFERRED COMPENSATION PLAN

The District offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees which have been employed by the District for 12 consecutive months, permits them to defer a portion of their salaries until future years. The District will match sixty-seven

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE F - DEFERRED COMPENSATION PLAN - CONTINUED

percent (67%) of the employee's contribution to a maximum of six percent (6%) of the employee's salary, not to include compensatory time or expense reimbursement. The deferred compensation is not available to employees until termination, retirement, or unforeseeable emergency. Deferred compensation is available to employees' beneficiaries in case of death.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the District (without being restricted to the provisions of benefits under the plan), subject only to the claims of the District's general creditors. Participants' rights under the plan are equal to those of general creditors of the District in an amount equal to the fair market value of the deferred account for each participant.

In management's opinion, the District has no liability for losses under the plan. However, the District does have the duty of due care that would be required of an ordinary prudent investor. The District believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE G – BOARD COMMISSIONER PER DIEM

There is no per diem paid to Board Commissioners.

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Sulphur Parks and Recreation's medical benefits are provided through a comprehensive medical plan under the Calcasieu Parish Police Jury's plan and are made available to employees upon actual retirement. In 2018, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB). This Statement addresses the fact that certain postemployment benefits other than pensions, which for the District consist of healthcare benefits only, are related to employee services and salaries received presently but that will benefit the employee in the future – upon retirement – and whose costs will be borne by the District in the future. The Statement also attempts to quantify the future "retirement" costs that have been earned by the employee during his/her active years of employment. The District will finance the postemployment benefits on a "pay-as-you-go" basis. GASB Statement 75 requires that the liability be recognized in the financial statements for the actuarial determined portion of the projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service. The notes to the financial statements contain other required disclosure information from GASB Statement 75.

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CERTIFIED PUBLIC ACCOUNTANTS

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

The Calcasieu Parish Police Jury contracted with a third-party consultant to perform the actuarial valuation required by GASB Statement No. 75 was also contracted to a third party consultant as of January 1, 2018 with a measurement date of December 31, 2018. For the Parish plan, the actuarial valuation is required every other year therefore the actuarial valuation prepared will be utilized for the two-year periods of 2018 and 2019 with the inclusion of the appropriate second year adjustments.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

Plan Description: The District's OPEB Plan is a single employer defined benefit "substantive" plan as understood by the employer and its employees. All of the employees of the District at their option may participate in the employee's group health, dental, and life insurance programs sponsored and administered by the Calcasieu Parish Police Jury in conjunction with its third party insurance providers and administrative agents.

While there is no specific written plan for the District's OPEB plan alone and therefore no separate annual report is issued, the District has reported this plan information based on communications to plan members via the written health plan maintained by the Calcasieu Parish Police Jury. Any amendments to the general health plan as related to types of benefits offered are required to be approved by Parish management before being distributed to Plan members. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided: The District's OPEB Plan provides health (medical and prescription), dental and life insurance programs for retirees and their dependents. Medical coverage, including prescription drugs as part of the medical plan, is offered to pre-65 and post-65 retirees on a self-insured basis. Benefits are subsidized by the District. Dental and life insurance coverage are available to retirees, but these coverages are not subsidized by the Parish. The District does not reimburse for Medicare Part B or Part D premium for Medicare eligible retirees and dependents.

Employees Covered: Employees who have twenty (20) years of cumulative service at retirement will be eligible for the above referenced retiree benefits if hired after January 1, 2007. Employees hired prior to January 1, 2007 must have ten (10) years of cumulative service to be eligible for any retiree benefits. Retirees are required to contribute one hundred percent (100%) of the monthly retiree premium for benefits elected.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

At December 31, 2018, the following employees were covered by the benefit terms:

Active Employees	33
Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	3
Inactive Employees Entitled to But Not Yet Receiving Benefit Payments	-
Total Covered Employees	36

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and the plan members. The actuarial calculations of the OPEB plan reflect a long-term perspective. Consistent with this perspective, the actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The total OPEB liability for the January 1, 2018 actuarial valuation, with a measurement date of December 31, 2018, and inclusive of the measurement period of January 1, 2018 through December 31, 2018, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation Rate	Not utilized by the actuary – see discount rate information.
Discount Rate	3.9% using an average of following three 20-year bond indices: (a) Bond Byer 20 Bond GO – 4.24%, (b) S&P Municipal Bond 20 Year High Grade Rate Index – 3.64%, and (c) Fidelity GA AA 20 Years - 3.83%.
Healthcare Cost Trend Rates	8% for pre-65 and post 65 retirees decreasing .5% per year to an ultimate rate of 5% in 2026 and later.
Salary Increases	3.5%
Cost of Living Increases	Not applicable

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Mortality Rate Table Used for Current Valuation

The RP 2014 Healthy Male and Female Tables based on the Employee and Healthy Annuitant Tables for both pre and post retirement with mortality improvement using the most current Society of Actuaries Mortality Improvement Scale MP-2018.

Changes in the Total OPEB Liability: The following table shows the components of the District's total OPEB liability for the current year:

Total OPEB Liability at Beginning of Year**	\$	1,289,206
Current Period Changes:		
Service Cost		15,234
Interest on Total OPEB Liability		49,145
Differences Between Expected and Actual Experience		-
Benefit Payments		(58,168)
Net Change in Total OPEB Liability		6,211
Total OPEB Liability at End of Year – Measurement Date	\$	1,295,417

** GASB 75 was implement in 2018 therefore the beginning total OPEB liability was restated as of the actuarial valuation date.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate: The following presents the total OPEB liability of the District's, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.9%) or one percentage point higher (4.9%) than the current discount rate of 3.9%:

	1% Decrease (2.9%)	Discount Rate (3.9%)	1% Increase (4.9%)
Total OPEB Liability	\$1,060,964	\$1,295,417	\$1,625,505

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE H – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - CONTINUED

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate: The following presents the total OPEB liability of the District's, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (8% to 7%) or one percentage point higher (8% to 9%) than the current healthcare cost trend rate of 3.9%:

	1% Decrease (7%)	Healthcare Cost Trend Rate (8%)	1% Increase (9%)
Total OPEB Liability	\$ 1,027,203	\$ 1,293,886	\$ 1,671,528

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: For the year ended December 31, 2018, the District recognized OPEB expense of \$6,211. At December 31, 2018, the District did not report any deferred outflows of resources or deferred inflows of resources related to OPEB since this was the first year of implementation for GASB 75 and the valuation was inclusive of January 1, 2018 through December 31, 2018 activity.

NOTE I – TAX ABATEMENTS

Louisiana's State Constitution Chapter VII Section 21 authorizes the State Board of Commerce and Industry to create a ten (10) year ad valorem tax abatement program for new manufacturing establishments in the State. Under the terms of this program, qualified businesses may apply for an exemption of local ad valorem taxes on capital improvements and equipment related to manufacturing for the first ten years of its operation; after which the property will be added to the local tax roll and taxed at the value and millages in force at the time. The future value of this exempt property could be subject to significant fluctuation from today's value; however, the District could receive a substantial increase in ad valorem tax revenues once the exemption on this property expires. All applicable agreements have been entered into by the Calcasieu Parish Police Jury and directly affect the District's ad valorem assessments. Because these taxes are not assessed or due, no adjustments have been made to the District's financial statements to record a receivable. As of December 31, 2018, \$278,628,318 of assessed property in the District's taxing jurisdiction is receiving this exemption, which amounts to \$2,855,940 in ad valorem taxes.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Notes to Financial Statements

December 31, 2018

NOTE J – PRIOR PERIOD ADJUSTMENT

The beginning net position has been restated to reflect the following adjustments for the implementation of GASB 75:

	<u>Amount</u>
Net position at December 31, 2017	\$ 64,330,008
Other Post-Employment Benefits Payable	<u>(1,080,866)</u>
Net position at December 31, 2017, restated	<u>\$ 63,249,142</u>

REQUIRED SUPPLEMENTAL INFORMATION

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Ad valorem tax	\$ 6,200,000	\$ 6,883,584	\$ 683,584
State revenue sharing	75,000	77,474	2,474
Recreation center concessions	83,500	68,965	(14,535)
Aquatic center	1,650,000	1,827,062	177,062
Golf course	372,500	393,352	20,852
Grill	30,000	24,876	(5,124)
Tennis	500	-	(500)
Interest	3,000	12,731	9,731
Miscellaneous	2,000	42,372	40,372
Total Revenues	8,416,500	9,330,416	913,916
EXPENDITURES			
Current operating:			
Recreation	5,770,000	4,306,276	1,463,724
Aquatic center	1,654,000	1,402,336	251,664
Golf course	1,111,600	819,109	292,491
Grill	30,300	50,837	(20,537)
Swimming pools	16,100	33,687	(17,587)
Tennis	18,100	8,562	9,538
General and administration	2,062,000	1,641,792	420,208
Total Expenditures	10,662,100	8,262,599	2,399,501
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,245,600)	1,067,817	3,313,417
FUND BALANCE - BEGINNING	13,362,037	13,362,037	-
FUND BALANCE - ENDING	\$11,116,437	\$ 14,429,854	\$ 3,313,417

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended December 31, 2018

Date	Contractually Required Contribution	Contributions in Relation to Contractually Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
Parocial Employees Retirement System of Louisiana:					
2015	\$ 207,608	\$ 207,608	\$ -	\$1,431,779	14.5%
2016	\$ 188,929	\$ 188,929	\$ -	\$1,453,298	13.0%
2017	\$ 190,688	\$ 190,688	\$ -	\$1,525,500	12.5%
2018	\$ 190,460	\$ 190,688	\$ -	\$1,656,170	11.5%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

SCHEDULE OF EMPLOYERS' PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year Ended December 31, 2018

Parocial Employees Retirement System of Louisiana:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Employer's portion of the net pension liability (asset)	0.24671%	0.24505%	0.24972%	0.23352%
Employer's proportionate share of the net pension liability (asset)	\$ (183,116)	\$ 504,690	\$ 657,327	\$ 63,845
Employer's covered payroll	\$ 1,656,170	\$ 1,525,500	\$ 1,453,298	\$ 1,431,779
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-11.06%	33.08%	45.23%	4.46%
Plan fiduciary net position as a percentage of the total pension liability	101.98%	5.85%	7.77%	0.85%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The amounts presented have a measurement date of December 31, 2017.

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

OTHER POSTEMPLOYMENT BENEFITS-
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITIES AND RELATED RATIOS

For the Year Ended December 31, 2018⁽¹⁾

	2018
Total OPEB Liability	
Service Cost	\$ 15,234
Interest on Total OPEB Liability	49,145
Difference Between Expected and Actual Experience	-
Benefit Payments	(58,168)
Net Change in Total OPEB Liability	6,211
Total OPEB Liability at Beginning of Year	\$ 1,289,206
Total OPEB Liability at End of Year	\$ 1,295,417
Covered Employee Payroll	\$ 1,369,164
Total OPEB Liability as a Percentage of Covered Employee Payroll	94.61%

Notes to the Schedule:

- (1) This schedule is intended to report information for ten years. Data for the full ten year period is not available but will be reported as the additional years become available.
- (2) Changes of Benefit Terms: There were no changes in benefit terms for 2018 which is the first year of implementation for Governmental Accounting Standards Board Statement (GASB) No. 75.
- (3) Change of Assumptions: There were no changes in benefit terms for 2018 which is the first year of implementation for GASB Statement No. 75.
- (4) There were no assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OTHER INFORMATION

Sulphur Parks and Recreation

Schedule of Compensation, Benefits and Other Payments
To Chief Executive Officer

Year Ended December 31, 2018

Chief Executive Officer: Stephen Gayfield, Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 107,673
Benefits-insurance	12,840
Benefits-retirement - Parochial	12,440
Benefits-retirement - B457	4,392
Car allowance	-
Vehicle provided by government	2,137
Per diem	-
Reimbursements	60
Travel	-
Membership fees	220
Conference travel	289
Continuing professional education fees	310
Housing	-
Unvouchered expenses	-
Special meals	-
Business use of personal phone	600

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Certified Public Accountants

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COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
GRAHAM A. PORTUS, E.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BARLOW, C.P.A.
BRIAN MCCAIN, C.P.A.
BLAKE MANUEL, C.P.A.

INDEPENDENT AUDITORS' 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

April 22, 2019

Board of Commissioners
Sulphur Parks and Recreation
Sulphur, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Sulphur Parks and Recreation, a component unit of the Calcasieu Parish Police Jury, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Sulphur Parks and Recreation's basic financial statements, and have issued our report thereon dated April 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sulphur Parks and Recreation'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 Sulphur Parks and Recreation's internal control. Accordingly, we do not express an opinion on the effectiveness of Sulphur Parks and Recreation's internal control.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sulphur Parks and Recreation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Gragsen Casiday & Guillory

SULPHUR PARKS AND RECREATION
Sulphur, Louisiana

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2018

1. Summary of Auditors' Results:

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
 - Control deficiencies identified that are
not considered to be material weakness(es)? _____ yes X no
- Noncompliance material to financial statements
noted? _____ yes X no

2. Findings Relating to the Financial Statements Which are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards

None

3. Findings and Questioned Costs for Federal Awards

N/A

4. Prior Year Findings

None

GRAGSON, CASIDAY & GUILLORY, LLP

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

April 1, 2019

Board of Commissioners
Sulphur Parks and Recreation
Sulphur, Louisiana

We have performed the procedures included enumerated below, which were agreed to by the Sulphur Parks and Recreation 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 year January 1, 2018 through December 31, 2018. The District's management is responsible for those C/C areas identified in the SAUPs.

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations

- a) *Budgeting*, including preparing, adopting, monitoring, and amending the budget.

The District's policies and procedures manual addresses budgeting.

- 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.

The District's policies and procedures manual addresses purchasing.

- c) *Disbursements*, including processing, reviewing, and approving.

The District's policies and procedures manual addresses purchasing.

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- d) *Receipt/Collections*, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmations with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequence, agency fund forfeiture monies confirmation).

The District's policies and procedures manual does not address receipt/collections.

Management response: The District will update its policies and procedures manual to address receipts/collections.

- e) *Payroll/Personnel*, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

The District's policies and procedures manual addresses payroll/personnel.

- 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.

The District's policies and procedures manual addresses contracting.

- 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 (e.g., determining the reasonableness of fuel card purchases).

The District's policies and procedures manual addresses 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.

The District's policies and procedures manual addresses travel and expense reimbursement.

- 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.

The District's policies and procedures manual addresses ethics.

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

The District's policies and procedures manual addresses debt.

Board or Finance Committee

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

The Board met at least monthly in accordance with the District's policy.

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

The minutes reference or include monthly budget-to-actual comparisons.

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

Unrestricted fund balance was positive, and the District maintains a surplus year to year.

Bank Reconciliations

3. Obtain a listing of the entity's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Bank reconciliations were prepared within 2 months of the statement closing date.

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

Bank reconciliations included evidence that a member of management/council member reviewed each reconciliation.

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

There were no outstanding items greater than 6 months old as of the end of the fiscal period.

Collections

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/check/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

The listing was provided by management.

- 5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select on collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe the job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Employees responsible for cash collections do not share a cash drawer.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Employees responsible for cash collections are not responsible for preparing/making bank deposits.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledger, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employees responsible for cash collections are not responsible for posting collection entries to the general ledger.

- d) The employee responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

Employee responsible for cash collections are not responsible for reconciling cash collections to the general ledger.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

All employees are covered by an insurance policy for theft.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made no the same day). Obtain supported documentation for each of the deposits and:

- a) Observe that receipts are sequentially pre-numbered.

No exceptions where noted.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions where noted.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

All selected deposits cleared the bank account timely and intact.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

All selected deposits were made within one business day of receipt.

- e) Trace the actual deposit per the bank statement to the general ledger.

All selected deposits were traced to the general ledger. No exceptions.

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

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

The listing was provided by management.

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

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

At least two employees were involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase.

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

No exceptions noted.

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

The employee responsible for processing payments is prohibited from adding/modifying vendor files.

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

The employee responsible for processing payments also mails the signed checks.

Management response: The District will implement a policy to have someone other than the employee responsible for processing payments mail the signed checks.

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

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

All transactions tested were paid by and matched the original invoice.

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

All transactions tested were authorized, approved and processed by different employees.

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

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), 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.

The listing was provided by management.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excess fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

On the months tested, supporting documentation was reviewed and approved in writing by someone other than the authorized card holder.

- b) Observe that finance charges and/or late fees were assessed on the selected statements.

One credit card payment tested had a late fee.

Management response: This was an oversight. The account is paid on time each month. Management will implement a policy to ensure that the credit card accounts are paid in full each month.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observed that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

All transactions tested had original itemized receipts attached to the statement with written documentation of the business/public purpose. No charges for meals were selected.

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

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense

documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Travel reimbursements were calculated using the U.S. General Services Administration mileage reimbursement rate.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

Reimbursement was supported by documentation of the business/public purpose of the travel.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Reimbursements were reviewed and approved in writing by someone other than the person receiving the reimbursement.

Contracts

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

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

All contracts tested were bid in accordance with the Louisiana Public Bid Law.

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

The Board approved all contracts. The Executive Director signed all contracts.

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

No contracts were amended during the fiscal period.

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

No exceptions noted.

Payroll and Personnel

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain their paid salaries and personnel files, and agree paid salaries to the authorized pay rates in the personnel files.

The listing was provided by management. All salaries were paid in accordance to authorized payrates.

- 17. Randomly select on pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that 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.)

The District uses daily attendance records which are approved by a supervisor.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

All employees tested had proper approved documentation of attendance leave.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Leave accrued or taken during the pay period is reflected in the District's cumulative leave records.

- 18. Obtain a listing of those employees/officials that received termination pay during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment

calculations, agree the hours to the employee/officials' cumulate leave records, and agree the payrates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Selected terminated employees tested where paid properly.

19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Documentation reflected that payroll tax return/reports, retirement contributions, health insurance premiums and workers' compensation premiums were timely paid, and associated forms filed, by required deadlines.

Ethics

20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management and:
 - a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

All employees tested had documentation of one hour of ethics training during the fiscal period.

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

Employees did not sign the District's ethics policy.

Management response: Management will implement a procedure to have all employees sign the ethics policy.

Debt Service

21. Obtain a listing of bonds/notes issued during the fiscal period and management's representation that the list is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each bond/note issued.

The District does not have any debt.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

The District does not have any debt.

Other

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

The Executive Director informed us that there were no misappropriation of public funds or assets during the fiscal year.

24. Observe the entity has posted on its premises and website, the notice required by R.S. 24:523.1. concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

The District has the required notice posted in a conspicuous place upon its premises or its website.

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 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.

Tracy, Cecily L. DeWitt