

**RECREATION DISTRICT NO. 5**

**OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Annual Component Unit Financial Statements  
with Independent Auditors' Report**

**and**

**Report on Internal Control Over Financial Reporting  
and Compliance and Other Matters**

**For the Year Ended September 30, 2019**

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FINANCIAL INFORMATION SECTION



INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Recreation District No. 5 of the Parish  
of St. Mary, State of Louisiana  
Jeanerette, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Recreation District No. 5 of the Parish of St. Mary, State of Louisiana (District), a component unit of St. Mary Parish, as of and for the year ended September 30, 2019, and the related notes to these financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District, as of September 30, 2019 and the respective changes in financial position thereof 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 management's discussion and analysis (MD &A), and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational economic or historical context. The District has elected not to present MD & A. Our opinion on the basic financial statements is not affected by this missing MD & A information. We have applied certain limited procedures to the required supplementary information related to budgetary comparison information on pages 17 and 18, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this budgetary comparison information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 29, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
April 29, 2020

**RECREATION DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Statement of Net Position  
September 30, 2019**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$227,751
Prepaid insurance	6,536
Total current assets	<u>234,287</u>
Capital assets-net of accumulated depreciation	
Land and Improvements	222,812
Building	1,774,153
Vehicles	40,774
Equipment and furniture	25,083
Total net capital assets	<u>2,062,822</u>
Total assets	<u><u>\$2,297,109</u></u>
<b>LIABILITIES AND NET POSITION</b>	
Liabilities	
Current liabilities	
Accounts payable and accrued expenses	\$20,972
Accrued interest payable	551
Current portion of long-term debt	111,000
Total current liabilities	<u>132,523</u>
Noncurrent liabilities	
Noncurrent portion of long-term debt	230,000
Total noncurrent liabilities	<u>230,000</u>
Total liabilities	<u>362,523</u>
Net position	
Net investment in capital assets, net of related debt	1,721,822
Restricted for:	
Debt service	154,899
Unrestricted	57,865
Total net position	<u>1,934,586</u>
Total liabilities and net position	<u><u>\$2,297,109</u></u>

The accompanying notes are an integral part of these financial statements.

**RECREATION DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Statement of Activities  
For the Year Ended September 30, 2019**

	<u>Total</u>
<u>Expenses</u>	
Current operating:	
Culture and recreation	
Salaries, wages, and benefits	\$108,573
Repairs and maintenance	26,056
Insurance	36,370
Utilities and telephone	52,930
Professional services	24,034
Supplies	8,254
Office	7,254
Building rental expense	429
Recreation program expense	86,775
Miscellaneous	5,940
Depreciation expense	126,428
Interest and fiscal charges on debt	<u>7,722</u>
Total program expenses	<u>490,765</u>
 <u>Program revenues</u>	
Rental income	<u>19,101</u>
Total program revenues	<u>19,101</u>
 Net program expenses	
	<u>471,664</u>
 <u>General revenues</u>	
Taxes:	
Ad valorem	424,332
Interest income	126
Miscellaneous income	<u>385</u>
Total general revenues	<u>424,843</u>
Decrease in net assets	(46,821)
Net position - beginning of year	<u>1,981,407</u>
Net position - end of year	<u><u>\$1,934,586</u></u>

The accompanying notes are an integral part of these financial statements.

**RECREATION DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Balance Sheet  
Governmental Funds  
September 30, 2019**

	<u>Governmental Fund Types</u>		Total Governmental Funds
	<u>General Fund</u>	Debt Service <u>Fund</u>	
ASSETS			
Cash and cash equivalents	\$89,301	\$138,450	\$227,751
Prepaid insurance	6,536		6,536
Due from general fund		17,000	17,000
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$95,837</u>	<u>\$155,450</u>	<u>\$251,287</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$20,972		\$20,972
Due to debt service fund	17,000		17,000
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>37,972</u>	<u>0</u>	<u>37,972</u>
Fund balances:			
Unassigned	57,865		57,865
Restricted for debt service		155,450	155,450
	<hr/>	<hr/>	<hr/>
Total fund balances (deficit)	<u>57,865</u>	<u>155,450</u>	<u>213,315</u>
	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$95,837</u>	<u>\$155,450</u>	<u>\$251,287</u>



Reconciliation of the total fund balance -- total governmental funds  
to the net position of governmental activities:

Total fund balance - Governmental Funds		\$213,315
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds balance sheet.		2,062,822
Interest payable on long-term debt does not require current financial resources, and, therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(551)
Noncurrent liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet.		
Current portion of long-term debt	\$111,000	
Noncurrent portion of long-term debt	230,000	
		<u>(341,000)</u>
Net position of governmental activities		<u><u>\$1,934,586</u></u>

**RECREATION DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Year Ended September 30, 2019**

	General <u>Fund</u>	Debt Service <u>Fund</u>	Total Governmental <u>Funds</u>
<u>Revenues</u>			
Rental income	\$ 19,101		\$ 19,101
Ad valorem taxes	334,901	\$ 89,431	424,332
Miscellaneous	385		385
Interest Income	<u>50</u>	<u>76</u>	<u>126</u>
 Total revenues	 <u>354,437</u>	 <u>89,507</u>	 <u>443,944</u>
<u>Expenditures</u>			
Current:			
Culture and recreation			
Salaries and per diem	108,573		108,573
Repairs and maintenance	26,056		26,056
Insurance	36,370		36,370
Utilities, telephone, & internet	52,930		52,930
Professional services	24,034		24,034
Supplies	8,254		8,254
Office	7,254		7,254
Building rental expense	429		429
Recreation programs expense	86,775		86,775
Miscellaneous	5,940		5,940
Capital Outlay	61,768		61,768
Debt service:			
Principal		106,000	106,000
Interest and fiscal charges	-	7,894	7,894
Total expenditures	<u>418,383</u>	<u>113,894</u>	<u>532,277</u>
 Excess (deficit) of revenues over expenditures	 (63,946)	 (24,387)	 (88,333)
 Fund balances, beginning of year	 <u>121,811</u>	 <u>179,837</u>	 <u>301,648</u>
 Fund balances, end of year	 <u>\$ 57,865</u>	 <u>\$ 155,450</u>	 <u>\$ 213,315</u>

Reconciliation of the changes in fund balances - total governmental funds to the change in net position of governmental activities:

Net change in fund balance - Governmental Funds \$ (88,333)

Amounts reported for governmental activities in the Statement of Activities are different because:

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 as depreciation expense. This is the amount by which depreciation (\$126,428) exceeded capital outlays (\$61,768) in the current period. (64,660)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduced long-term liabilities in the statement of net position. This is the amount by which repayments (\$106,000) exceeded proceeds (\$0). 106,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.

Interest and fiscal charges 172

Change in net position of governmental activities \$ (46,821)

**RECREATION DISTRICT NO. 5 OF THE PARISH OF  
ST. MARY, STATE OF LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2019**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Recreation District No. 5 of the Parish of St. Mary, State of Louisiana (District), was created by Ordinance No. 1528 of the St. Mary Parish Council (Council) on May 8, 2002. The District encompasses Wards 2 and 7, and a portion of Ward 1. The purpose of the District is to provide for cultural and recreational activities in that portion of the Parish.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

Based upon the above criteria, the District is a component unit and integral part of the Council (the primary government).

These financial statements include only the operations of the District.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements - Government-wide Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities which report all activities of the District as a whole. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The following is a description of the funds utilized by the District.

Governmental Funds

General Fund

The General Fund is the general operating fund of the District. It is used to account for all financial resources, except those required to be accounted for in other funds.

Debt Service Fund

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

D. Basis of Accounting

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

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government-wide Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources (whether current or noncurrent) are included on the statement of net position, and the statement of activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

### Fund Financial Statements

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

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities (the District uses a sixty day period after year end).

### E. Revenues

The following is a summary of the District's recognition policies for its major revenue sources:

Ad valorem taxes (which are based on population and homesteads in the District) are recorded in the year the taxes are assessed.

Interest earnings are generally recorded when earned.

Substantially all other revenues are recorded when received.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Deferred Outflows and Inflows of Resources

The District has evaluated its transactions with the requirements of GASB pronouncements, related to deferred items, and determined that there are no significant transactions that meet the requirements of these statements. Therefore as of September 30, 2019, the District is not presenting any Deferred Outflows or Inflows of Resources in its financial statements.

G. Expenses/Expenditures

The government-wide financial statements recognize expenses under the accrual basis of accounting and records the related liability at the time the expense is incurred.

In the fund financial statements, expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except principal and interest on long-term debt which is not recognized until due.

H. Cash and Cash Equivalents

Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include bank deposits and/or certificates of deposit with original maturities of less than three months.

I. Prepaid Expenses

The District has certain expenses in which they record the prepayment of these expenses, such as insurance, as an asset on the balance sheet and systematically recognize the expense over the period of the prepayment.

J. Fixed Assets

The accounting treatment over property, plant, equipment (fixed assets) depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All purchased fixed assets are valued at historical cost. Donated fixed assets are valued at their estimated fair market value on the date received. Fixed assets are reported at their historical cost or estimated fair market value less their accumulated depreciation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation is computed using the straight-line method based on the estimated useful life of the various assets. The following is a summary of estimated useful lives by classification of the fixed assets:

<u>Category</u>	<u>Years</u>
Buildings	30
Improvements	40
Equipment	5
Vehicles	5

Fund Financial Statements

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

K. Long-term Debt

Government-wide Financial Statements

In the government-wide financial statements, all long-term debt is reported as a liability. The long-term debt of the District consists of bonds payable.

Fund Financial Statements

Long-term debt for governmental funds is not reported as liability in the fund financial statements. The debt proceeds and the repayment of existing debt, with new debt proceeds are reported as other financing sources and uses; and the payment of principal and interest with other funds are reported as expenditures.

L. Equity Classifications

Government-wide Statements

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

- a) Net investment in capital assets - Consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of bonds 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, contributions, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- c) Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified by five categories; nonspendable, restricted, committed, assigned, or unassigned. At present, the District only requires reporting of restricted and unassigned. Restricted represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Unassigned represents those portions of fund equity that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purpose within the General Fund.

M. Interfund Transfers, Amounts Due To/From Funds

Amounts due from the General Fund and due to the Debt service fund arose when the Debt Service fund paid expenses on behalf of the General Fund. The General Fund intends to reimburse the Debt Service Fund for these expenses.

Permanent reallocations of resources between funds of the District are classified as interfund transfers. For the purpose of the Statement of Activities, all interfund transfers between individual governmental funds and amounts due to/from those funds have been eliminated.

NOTE 2 - CASH AND CASH EQUIVALENTS

The District does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition the District does not have a formal investment policy related to credit risk (including concentrations of credit and custodial credit risk). However the District does follow state law as to limitations on types of deposits and investments as described below.

The District does not invest in any investments subject to foreign currency risk.

Cash and cash equivalents

Under state law the District may deposit its funds with certain state and federally chartered financial institutions. The deposits are required to be insured or collateralized by the financial institutions.

At year end, the carrying amount of the District's cash was \$227,751 and the bank balance was \$228,245 (all of which was covered by federal depository insurance).

NOTE 3 - TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and taxes are considered delinquent January 1. Notices regarding seizures are sent out in April with the seizure date being May 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District actually receives most of the taxes in January.

The District receives 9.50 mils of property tax. For the year ended September 30, 2019, 7.50 mils were distributed to the General Fund and dedicated to operations and maintenance and 2.00 mils were distributed to the debt service fund and dedicated to debt retirement. For the year ended September 30, 2019 each mil levied resulted in approximately \$48,000 in ad valorem taxes received by the District.

NOTE 4 - FIXED ASSETS

Capital asset activity for the year ended September 30, 2019 is as follows:

	Balance September 30, <u>2018</u>	<u>Additions</u>	Balance September 30, <u>2019</u>
Capital assets:			
Land	\$ 66,500		\$ 66,500
Total capital assets not being Depreciated	<u>66,500</u>		<u>66,500</u>
Other capital assets:			
Building	3,141,141		3,141,141
Equipment & furniture	101,580	\$10,800	112,380
Vehicles	25,130	50,968	76,098
Improvements	<u>212,118</u>		<u>212,118</u>
Total other capital assets at historical cost	<u>3,479,969</u>	<u>61,768</u>	<u>3,541,737</u>
Less accumulated depreciation for:			
Building	(1,262,166)	(104,822)	(1,366,988)
Equipment & Furniture	(81,188)	(6,109)	(87,297)
Vehicles	(25,130)	(10,194)	(35,324)
Improvements	<u>(50,503)</u>	<u>(5,303)</u>	<u>(55,806)</u>
Total accumulated depreciation	<u>(1,418,987)</u>	<u>(126,428)</u>	<u>(1,545,415)</u>
Total capital assets, net	<u>\$2,127,482</u>	<u>\$( 64,660)</u>	<u>\$2,062,822</u>

Depreciation expense for the year totaled approximately \$126,000.

NOTE 5- LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2019:

Balance at October 1, 2018	\$447,000
Additions	--
Reductions	<u>(106,000)</u>
Balance at September 30, 2019	<u>\$341,000</u>

Obligations payable at September 30, 2019, are as follows:

General Obligation Bonds

\$745,000 of General Obligation Refunding Bonds, Series 2015 were issued on April 8, 2015, in order to refund General Obligation Bonds, issued on December 1, 2002. The new bonds bear interest at rates of 1.94% and are payable through the year 2022. The new bonds are being retired from ad valorem taxes by the Debt Service Fund.

\$341,000

The following is an approximation of future debt requirements at September 30, 2019:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$111,000	\$5,000	\$116,000
2021	112,000	3,000	115,000
2022	<u>118,000</u>	<u>1,000</u>	<u>119,000</u>
	<u>\$341,000</u>	<u>\$9,000</u>	<u>\$350,000</u>

NOTE 5 - LONG-TERM DEBT (continued)

The District is subject to certain affirmative and negative covenants pursuant to its bond and debt agreements. The covenants include but are not limited to:

1. Establishment and funding of certain debt service funds.
2. Restriction as to additional debt issuance.

NOTE 6 - PENSION PLAN

The District's employees are covered under the Federal Insurance Contributions Act (Social Security). The District makes the required contributions to the fund and is not responsible for the benefits. During the year ended September 30, 2019 the District contributed \$8,257 and the District's employees contributed \$8,257.

The District does not maintain any other post employment benefit plans.

NOTE 7 - COMPENSATION OF BOARD MEMBERS AND OFFICERS

Board members received the following per diems (the Chief Executive Officer, received no other compensation) for the year ended September 30, 2019:

<u>Name</u>	<u>Amount</u>
Ricky Armelin	-
Deborah Aymond	\$ 40
Norma Bouey	130
Rosa Crosby	120
Felicia Jolivette	-
Marlon Rhine (Chairman & Chief Executive Officer)	80
Craig Smith	-
	<u>\$ 370</u>

NOTE 8 - CONCENTRATIONS

The District receives ninety-six percent of its revenues from the general public in the form of ad valorem taxes.

NOTE 9 - RISK MANAGEMENT AND CONTINGENCIES

The District is exposed to various risks of loss related to torts, theft or damage to assets, errors and omissions, injuries to employees and natural disasters. The District has purchased commercial insurance to protect against loss from substantially all of these perils.

There has been no significant reduction in insurance coverage from prior years. Settlements in the prior three years have not exceeded insurance coverages.

NOTE 10 – CONTINGENCY

As a result of the COVID-19 pandemic, the District is diligently monitoring the Center's operations to insure public safety and the requirements for social distancing. Accordingly, the Center is operating but has curtailed certain activities and modified others. It is not known if these modifications to operations will significantly affect the District's revenues or expenses.

REQUIRED SUPPLEMENTAL INFORMATION

**RECREATION DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Operating Budget (Non-GAAP Basis)  
All Operations  
(Unaudited)  
For the Year Ended September 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Ad valorem taxes	\$ 410,000	\$ 425,000	\$ 424,332	\$ (668)
Interest income	160	123	126	3
Rental income	18,000	18,000	19,101	1,101
Miscellaneous income	2,000	500	385	(115)
Intergovernmental-St. Mary Parish Council	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total revenues	 <u>450,160</u>	 <u>443,623</u>	 <u>443,944</u>	 <u>321</u>
<u>Expenditures</u>				
Current:				
Culture and recreation				
Salaries, wages, and benefits	115,750	119,400	108,573	10,827
Repairs and maintenance	30,000	36,000	26,056	9,944
Insurance	37,500	37,500	36,370	1,130
Utilities	55,100	51,500	52,930	(1,430)
Professional services	25,000	25,000	24,034	966
Supplies	7,000	8,000	8,254	(254)
Office	3,600	7,500	7,254	246
Building rental expense	-	450	429	21
Recreation program	80,000	84,000	86,775	(2,775)
Miscellaneous	6,150	5,950	5,940	10
Debt Service:				
Interest and fiscal charges	<u>17,000</u>	<u>12,000</u>	<u>7,894</u>	<u>4,106</u>
 Total expenditures	 <u>377,100</u>	 <u>387,300</u>	 <u>364,509</u>	 <u>22,791</u>
 Excess (deficiency) of revenues over expenditures	 <u>\$ 73,060</u>	 <u>\$ 56,323</u>	 <u>\$ 79,435</u>	 <u>\$ 23,112</u>

**RECREATION DISTRICT NO. 5 OF THE PARISH OF  
ST. MARY, STATE OF LOUISIANA**

**NOTES TO REQUIRED SUPPLEMENTAL INFORMATION  
(Unaudited)**

**September 30, 2019**

**NOTE 1 - BUDGET PROCESS**

The District adopts a single combined budget for the operations of both of its funds, rather than separate budgets for each fund. The budget is adopted on a basis consistent with generally accepted accounting principles except, for payments of debt principal and purchases of capital assets. All annual appropriations lapse at fiscal year end. Budgets are amended when necessary with Board approval. In the financial statement comparison of the budget to actual amounts, both the original and final amended amounts are shown.

**NOTE 2 - BUDGET RECONCILIATION**

The following is a reconciliation of the actual amounts as shown in the operating budget to the actual amounts as shown in the financial statements:

Excess of revenues over expenditures per Operating Budget	\$79,435
Less:	
Principal payments on debt	(106,000)
Capital outlay	<u>(61,768)</u>
Excess (deficiency) of revenues over expenditures for all funds per Statement of Revenues, Expenditures and Changes in Fund Balance	<u>\$(88,333)</u>



INTERNAL CONTROL AND COMPLIANCE  
AND OTHER MATTERS SECTION



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

The Board of Commissioners  
Recreation District No. 5 of the Parish  
of St. Mary, State of Louisiana  
Jeanerette, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, and each major fund of the Recreation District No. 5, of the Parish of St. Mary, State of Louisiana (District), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 29, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify two deficiencies in internal control, described in the accompanying schedule of findings as item 2019-001, that we consider to be a significant deficiency, and item 2019-002 which we consider to be a material weakness.

#### Compliance and Other Matters

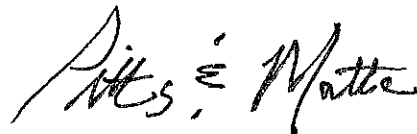
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

#### The District's Response to Findings

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

#### Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana  
April 29, 2020

**RECREATION DISTRICT NO. 5 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Schedule of Findings  
For the Year Ended September 30, 2019**

**A. SUMMARY OF AUDIT FINDINGS**

1. The auditors' report expressed an unmodified opinion on the financial statements of the Recreation District No. 5 of the Parish of St. Mary.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control Over Financial Reporting

Two deficiencies in internal control are reported, one as a significant deficiency and the second as a material weakness.

Compliance and Other Matters

There were no instances of noncompliance or matters which are required to be reported.

3. Federal Awards

This section is not applicable for the year ended September 30, 2019.

4. Management Letter

No letter was issued.

B. FINDINGS FINANCIAL STATEMENT AUDIT

INTERNAL CONTROL

Significant Deficiency

ITEM NO. 2019-001 APPLICATION OF GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Auditor's Comments:

Condition: The individuals responsible for the District's accounting and reporting functions lack the knowledge and experience needed to prepare the financial statements of a governmental entity in accordance with GAAP.

Criteria: AU Section 325 *Communicating Internal Control Related Matters identified in an Audit* states in part:

"...the person(s) responsible for the accounting and reporting function lack(s) the skills and knowledge to apply GAAP...."

Cause: This condition is a result of management and staff not having the experience needed to fully prepare governmental financial statements in accordance with GAAP for governments.

Effect: Financial statements may reflect a departure from GAAP.

Recommendation: No recommendation forwarded. The additional costs required to achieve the desired benefit may not be economically feasible.

Management Response: We believe the monthly financial statement prepared by our accountant is sufficient for us to make management decisions. We have determined that it is in the best interest of the District to outsource to our independent auditors the preparation of the annual financial statements and related notes in accordance with GAAP, and we will review, approve, and accept responsibility for the content prior to issuance.

## INTERNAL CONTROL

### Material Weakness

#### ITEM NO. 2019-002 LACK OF INTERNAL CONTROLS RELATED TO CERTAIN EXPENDITURES

##### Auditor's Comments:

Condition: In the course of testing recreation program expenses, we noted that certain disbursements did not follow the District's standard purchasing procedures.

Ninety-three percent of the District's expenses are incurred through its normal purchasing internal control system. Seven percent of expenses are incurred through a modified system that lacks several of the internal control features of the normal purchasing system.

The District's normal internal control system for purchases includes the following steps:

- A. Development and approval of a budget by category by the District's Board.
- B. Specific purchase and amount approved by Board and Executive Director.
- C. Detail invoice is obtained for purchase
- D. Check is prepared and matched to supporting documentation
- E. Check is approved by Board
- F. Check is signed by two authorized Board Members.
- G. Check is then mailed to the vendor/payee.

The District's control system for its basketball programs includes only the following steps:

- A. Development and approval of a budget by category by the District's Board.
- B. Eight checks in round amounts totaling \$36,000 (signed by two authorized Board Members) were issued and deposited into a separate bank account during the year.
- C. Disbursements were made from the separate bank account primarily by debit card.

Of the \$36,000, we were able to identify \$34,641 in expenditures pertaining to the program. We found no wrong doing, however, due to the lack of specificity of supporting documentation we were unable to determine if \$1,359 in expenditures were for the program or not

Criteria: A Sound internal control system over expenditures should include a system to ensure that all expenditures are properly approved, made, and documented.

Effect: Failure to properly approve, make, and document expenditures can result in funds being spent in ways not intended by the District.

Cause: The activities for the Basketball Recreation Program utilize a different system for making expenditures. The system is not sufficient to control the authorization, making, and documentation of the expenditures.

Recommendations: All expenses for programs other than those related to traveling events should be made utilizing the Districts normal system (i.e. tournaments, uniforms, equipment) In instances where advances are necessary the Board should require an expense report to be submitted with detail supporting invoices and/or receipts shortly following the event, then an settlement should be made whereby a reimbursement would be made to the District for any unused or undocumented payments or an additional payment would be made if the documented expenses exceed the advance.

Management's Response: We will utilize our normal system for all expenses for programs other than those related to traveling events (i.e. tournaments, uniforms, equipment) In instances where advances are necessary the Board will require an expense report to be submitted with detail supporting invoices and/or receipts shortly following the event, then an settlement will be made whereby a reimbursement is made to the District for any unused or undocumented payments or an additional payment is made if the documented expenses exceed the advance.

#### C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS

This section is not applicable for the year ended September 30, 2019.

**SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION  
PREPARED BY RECREATION DISTRICT NO. 5 OF ST. MARY PARISH**

INTERNAL CONTROL AND COMPLIANCE AND OTHER MATTERS MATERIAL TO  
THE FINANCIAL STATEMENTS

INTERNAL CONTROL  
Significant Deficiency

ITEM NO. 2018-001 APPLICATION OF GENERALLY ACCEPTED ACCOUNTING  
PRINCIPLES (GAAP)

Condition: The individuals responsible for the District's accounting and reporting functions lack the knowledge and experience needed to prepare the financial statements of a governmental entity in accordance with GAAP.

Corrective Action: It is not economically feasible to correct this finding.

ITEM OF NONCOMPLAINE

ITEM NO. 2018-002 POSSIBLE NONCOMPLIANCE WITH OPEN MEETINGS LAW

Condition: Our auditors advised us that we may not have met all requirements necessary to enter into executive sessions during the year.

Corrective Action: This situation was corrected in the current year.

ITEM NO. 2018-003 NONCOMPLIANCE WITH BUDGET MONITORING

Condition: Our auditors noted that our operating budget needed amendments which were not made.

Corrective Action: This situation was corrected in the current year.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

This section is not applicable.



## Recreation District No. 5

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April 29, 2020

Mr. Daryl Purpera, CPA, CFE  
Legislative Auditor, State of Louisiana  
P.O. Box 94397  
Baton Rouge, LA 70803-9397

Dear Mr. Purpera:

Recreation District No. 5 of the Parish of St. Mary, State of Louisiana respectfully submits the following corrective action plan for their year ended September 30, 2019.

### CORRECTIVE ACTION:

Person Responsible: Ricky Armelin, Chairman  
Recreation District No. 5 of the Parish  
of St. Mary, State of Louisiana  
1498 Hwy 318  
Jeanerette, LA 70544

Time of Completion: September 30, 2020

Internal Control: Re: Item No. 2019-001

Application of GAAP: During the audit, our auditors noted that the individuals responsible for the District's accounting and reporting functions lack the knowledge and experience needed to prepare the financial statements for the governmental entity in accordance with GAAP.

Corrective Action: We believe the monthly financial statement prepared by our accountant is sufficient for us to make management decisions. We have determined that it is in the best interest of the District to outsource to our independent auditors the preparation of the annual financial statements and notes in accordance with GAAP, and we will review, approve, and accept responsibility for the content prior to issuance.

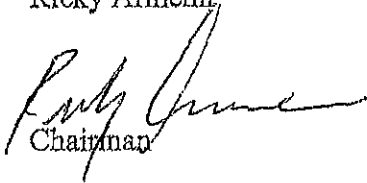
Time of Completion: September 30, 2020

Internal Control: Re: Item No. 2019-002

Lack of Internal Controls Related to Certain Expenditures: During the audit, our auditors noted that certain disbursements did not follow our standard purchasing procedures.

Corrective Action: We will utilize our normal system for all expenses for programs other than those related to traveling events (i.e. tournaments, uniforms, equipment) In instances where advances are necessary the Board will require an expense report to be submitted with detail supporting invoices and/or receipts shortly following the event, then an settlement will be made whereby a reimbursement is made to the District for any unused or undocumented payments or an additional payment is made if the documented expenses exceed the advance.

Ricky Armelin



Chairman