BREC

Financial Report
2018

Postlethwaite & Netterville

A Professional Accounting Corporation

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RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE

BATON ROUGE, LOUISIANA

ANNUAL FINANCIAL REPORT

DECEMBER 31, 2018

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE

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A Professional Accounting Corporation

INDEPENDENT AUDITORS' REPORT

Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) as of and for the year ended December 31, 2018, and the related notes to the financial statements which collectively comprise the Commission'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 of 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 Commission'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 Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Recreation and Park Commission for the Parish of East Baton Rouge as of December 31, 2018, the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions for the year ended December 31, 2018. This new standard requires the Commission to recognize and report its total other post-employment benefit liability, measured according to actuarial methods and approaches prescribed within the standard along with certain disclosures. Our opinion is not modified with respect to this matter.

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Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of Changes in Total Other Post-Employment Benefit Plan Liability and Related Ratios, the Schedule of Proportionate Share of the Net Pension Liability and the Schedule of Employer Contributions to Cost-Sharing Defined Benefit Plans presented on pages 3 through 9, pages 49 through 50, page 51, page 52 and page 53 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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying Schedule of Compensation Paid to the Head of Commission on page 54 is presented in order to comply with LA R.S. 24:513 and for the purpose of additional analysis and is not a required part of the basic financial statements. The General Fund Combining Schedules on pages 55 and 56 and schedule of expenditures of federal awards on page 61 are also presented for the purpose of additional analysis and are also not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on page 61 is required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.*

The Schedule of Compensation Paid to Head of Commission, the General Fund Combining Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2019 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on 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 Commission's internal control over financial reporting and compliance.

Postlethwaite + Netterville

Baton Rouge, Louisiana
June 30, 2019

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE

BATON ROUGE, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION – PART I

MANAGEMENT'S DISCUSSION
AND ANALYSIS (MD&A)

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2018

As financial management of the Recreation and Park Commission for the Parish of East Baton Rouge (BREC) we offer readers of these financial statements an overview and analysis of BREC's financial activities. This narrative is designed to assist readers in focusing on significant financial issues, identify changes in financial position, identify material deviations from approved budget documents (if any) and identify individual fund issues or concerns.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts.

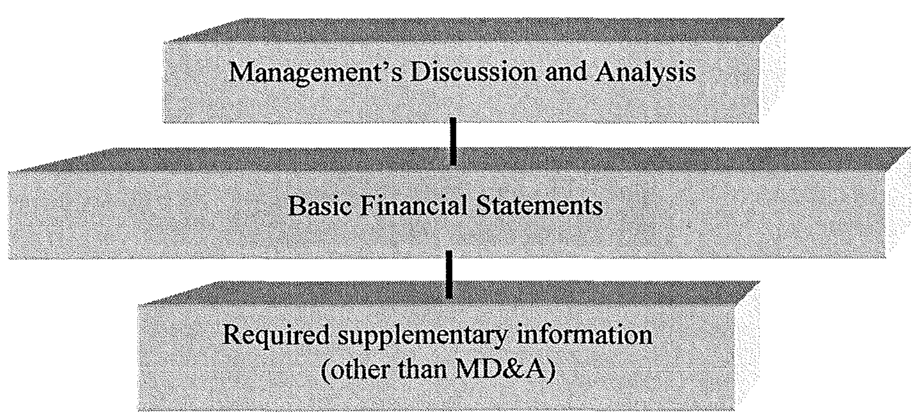
FINANCIAL HIGHLIGHTS

★ Assets and deferred outflows of the Recreation and Park Commission exceeded its liabilities and deferred inflows on December 31, 2018 by $172,292,251 (net position). Most of this amount is comprised of capital assets and amounts restricted to capital projects. Of this net position amount, $2,964,081 (unrestricted net position) may be used to meet ongoing obligations to our creditors. Additionally, during the fiscal year ended December 31, 2018, the adoption of a new accounting standard required the Commission to recognize and report its total other post-employment benefits liability. See note 6 to the financial statements. Adoption of this standard greatly impacted the Commission's unrestricted net position.

★ As of December 31, 2018, the governmental funds reported combined ending fund balances of $98,767,941, an increase of $8,226,358 in comparison with the prior year. The increase is primarily the result of increases in ad valorem tax collections combined with lower spending on construction projects. Approximately 18% of the fund balance, $18,051,884, is available for spending at the Commission's discretion (unassigned fund balance of the General Fund).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.



These financial statements consist of three sections – Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Government-wide financial statements. The *government-wide financial statements* are designed to be similar to private sector business in that all governmental and business-type activities are consolidated into separate columns which add to a total for the primary government. The governmental activities' statements combine the Governmental Funds' current financial resources with capital assets and long-term obligations. Donated infrastructure is included. The Commission has no business type activities and therefore no business type activity statements are presented.

Additionally, there are no component units presented to which the Commission may be obligated to provide financial assistance; and therefore no component units are represented in these statements.

The *statement of net position* presents information on all of the Commission's assets, deferred outflows, liabilities and deferred inflows, with the difference between them reported as *net position*. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The *statement of activities* presents information showing how the Commission's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods. (e.g., uncollected taxes and earned but unused vacation leave). The focus of the *statement of activities* is on both the gross and net cost of various activities which are provided for by the Commission's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various Commission services and/or subsidies to various activities.

Governmental activities reflect those recreation programs provided by the Commission to the public that are generally supported through tax dollars, grants, and charges for services such as golf, tennis, sports leagues, recreation centers, classes, etc.; and maintenance of park facilities. Also included in governmental activities are the programs and maintenance of special facilities such as the Baton Rouge Zoo, Magnolia Mound Plantation House, Bluebonnet Swamp, Liberty Lagoon and others. Since all of the Commission's activities are of the governmental type, there is no presentation of business-type activities in these financial statements.

Fund financial statements. A *fund* is a grouping of related accounts that are used to maintain control and accountability over the resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statement presentation more familiar.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the budget is developed based on the generally accepted accounting principles (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The Commission has presented the General Fund, Capital Improvements, Enhancement Construction and the Special Revenue Enhancement Funds as major funds.

Proprietary funds. *Proprietary funds* consist of internal service funds and are an accounting device used to accumulate and allocate costs internally among the Commission's various functions. The Commission uses internal service funds to account for its employee benefits, risk management, unemployment and print shop activities. These services benefit the governmental functions of the Commission and they have been included within the governmental activities section in the government-wide financial statements.

Capital assets. General capital assets include land, improvements to land, easements, buildings, vehicles, machinery and equipment, infrastructure, and all other tangible assets that are used in operations that have initial useful lives greater than two years and exceed the government's capitalization threshold. Donated infrastructure assets are capitalized and are included in capital asset balances at market value at the date of acquisition.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements. The notes are a required part of the basic financial statements.

FINANCIAL ANALYSIS OF THE ENTITY

The following table reflects the condensed Statement of Net Position for 2018 and 2017:

Condensed Statements of Net Position
as of December 31, 2018 and 2017

	2018	(Restated) 2017
Assets		
Current and other assets	$ 110,023,503	$ 102,822,578
Capital assets	174,170,816	174,043,328
Total assets	284,194,319	276,865,906
Deferred outflows	14,557,085	22,458,876
Liabilities		
Current liabilities	5,503,337	6,281,559
Non-current liabilities		
Due within one year	6,615,800	5,817,000
Due in more than one year	108,647,493	121,198,187
Total liabilities	120,766,630	133,296,746
Deferred inflows	5,692,523	-
Net position		
Net investment in capital assets	146,275,986	143,015,221
Restricted	23,052,184	21,336,459
Unrestricted	2,964,081	1,357,879
Total net position	$ 172,292,251	$ 165,709,559

- Approximately 85% of the Commission's net position as of December 31, 2018 reflects investment in capital assets less any outstanding debt used to acquire those assets (land, buildings, infrastructure, machinery and equipment). The Commission uses these assets to provide services to the public, consequently these assets are not available for future spending. Although the Commission's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

- Another 13% of the Commission's net position is subject to external restrictions, primarily those for capital expenditure and bond reserves.

- The remaining 2% of net position is unrestricted, and may be used to meet ongoing obligations of the Commission to citizens and creditors.

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF DECEMBER 31, 2018

The following table provides a summary of the changes in net position for the years ended 2018 and 2017:

Condensed Statements of Revenues and Expenses
For the Years Ended December 31, 2018 and 2017

	2018	(Restated) 2017
Revenues		
Program revenues		
Charges for services	$ 9,881,753	$ 10,045,444
Operating grants and contributions	-	302,406
Capital grants and contributions	1,370,950	883,187
General revenues		
Ad Valorem Tax	61,832,345	59,203,330
State Revenue Sharing	1,551,264	1,557,084
Other General Revenues	2,274,861	1,434,610
	76,911,173	73,426,061
Expenses		
Administration and Planning	19,106,779	18,040,424
Maintenance Department Operations	14,333,077	15,752,180
Recreation Program Operations	21,186,005	21,502,774
Golf Operations	7,235,278	7,626,148
Zoo Operations	6,255,005	6,385,054
Aquatics and Therapeutics	1,321,393	1,301,638
Interest on long-term debt	890,944	958,845
	70,328,481	71,567,063
Excess of revenues over expenses	$ 6,582,692	$ 1,858,998
Net position, beginning of year (restated)	165,709,559	175,064,399
Cumulative effect of accounting change (see Note 1 and 13)	-	(11,213,838)
Net position, end of year (restated)	$ 172,292,251	$ 165,709,559

The Commission's revenues are comprised almost entirely of property taxes and charges for services for use of facilities and activities. Property taxes experienced a 4.4% increase due to property growth to the rolls of the Parish. The charges for services experienced a slight decrease due to loss revenue generated from tennis, summer camps, facility rentals and zoo admissions. In 2017 and 2018, revenue continued to be affected by widespread flooding throughout the Parish in August 2016. Charges for services revenue is heavily dependent upon the weather conditions during any one year as a number of facilities are outdoors. Inclement weather, particularly on weekend days, can cause this revenue stream to fluctuate from one year to the next.

The Commission's expenses, overall, remained relatively consistent between 2018 and 2017. The General Fund operating expenditures remained just under $50 million in 2018 as in 2017 and no major capital projects began depreciating in 2018. Long term liabilities and associated expenses stayed constant.

FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

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

The focus of the Commission's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Commission's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the primary operating fund of the Commission. At the end of the current fiscal year, unassigned fund balance of the general fund was $18,051,884, while total fund balance of the general fund was $60,523,752. Compared with total general fund balance, as restated, of $57,209,660 at the end of 2017, fund balance increased $3,314,092 during 2018. The fund balance increase is a result of increased ad valorem revenues and controlled expenditures. This fund balance can be used to support general operations.

The Commission's other governmental funds, consisting of the Debt Service Fund, the Capital Improvements Fund, the Enhancement Construction Fund and the Special Revenue Enhancement Fund collectively contain $38,244,189 of fund balance which is either restricted, committed or assigned for various purposes including debt payments and capital improvements, or assigned for certain uses as determined by management. The Commission also maintains an Enhancement Operating Fund that accounts for the portion of a certain millage that is earmarked for operating supplements under the Imagine Your Parks Strategic Master Plan that is combined with the General Fund for presentation in accordance with GASB 54. Combining General Fund financial statements on pages 55 and 56 shows the components of the General Fund.

The Louisiana Local Government Budget Act (the Act) requires that the Commission adopt annual budgets for its general and special revenue funds and to adopt budget amendments whenever revenue collections and other sources fail to meet budgeted projections by more than 5%; or when actual expenditures and other uses exceed budgeted expenditures and other uses by more than 5%; or when actual beginning fund balance fails to meet estimated beginning fund balance by more than 5% if fund balance is being used to fund current year expenditures. As indicated in the required supplemental information showing the budgeted revenues, expenditures, and other financing sources and uses for the General and Special Revenue Enhancement Funds on pages 49 and 50, no budget amendments were adopted and actual results fell within the parameters set forth within the Act.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Commission's capital assets as of December 31, 2018 total $174,170,816 (net of accumulated depreciation). Capital assets include land, buildings and improvements, construction in progress, and moveable property consisting of furniture, machinery and equipment. Accumulated depreciation represents approximately 46% of the original cost of all capital assets, and approximately 52% of depreciable capital assets. Capital asset additions in 2018 were $11,747,893 (excluding reclassification of construction-in-progress), or approximately 7% of the net book value of all capital assets.

Capital Assets at December 31
(Net of Depreciation)

	2018	2017
Land	$ 29,923,241	$ 29,761,385
Construction in progress	8,053,734	10,715,093
Moveable Property and Equipment	5,303,280	4,346,483
Immoveable Property	130,890,561	129,220,367
Totals	$ 174,170,816	$ 174,043,328

The Commission maintains two funds for capital improvement projects. The first is the Capital Improvements Fund, which accounts for the proceeds of 50% of a property tax of 4.10 mills dedicated to capital improvements and which the Commission has traditionally used for its on-going Capital Improvement Program. This fund provides for capital improvements on a pay-as-you-go basis. Total expenditures in 2018 of the Capital Improvements Fund were $8,119,998. The second fund is the Enhancement Construction Fund, which accounts for a portion of the proceeds of a property tax of 3.253 mills that was approved by the citizenry for funding the operation, maintenance, construction of the park system in accordance with the Strategic Master Plan. Total expenditures in 2018 of the Enhancement Construction Fund were $2,287,531. The combined total expenditures of the two capital projects funds were $10,407,529 and $10,618,646 in 2018 and 2017, respectively.

Some of the more significant capital improvements during the 2018 fiscal year included construction and renovation projects at the following locations: River Bend Park, Bluebonnet Swamp Center, Independence Park and Howell Community Park.

Long-term debt

At the end of the calendar year 2018, the Commission had total bonded debt outstanding of $28,995,000, compared to bonded debt outstanding as of December 31, 2017 of $32,795,000. This decrease reflects principal payments on the bonds that were made according to schedule. A capital lease was entered into during fiscal year 2018 for the purchase of mower equipment. The lease balance outstanding at December 31, 2018 was $400,459. Long-term debt also includes the Commission's accrued compensated leave of $3,219,413 and self-insurance claims payable of $1,925,000. Other significant liabilities include the Commission's share of the City-Parish Employees' Retirement System net pension liability of $65,136,770 and the total other post-employment benefits liability of $15,586,651.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

East Baton Rouge Parish has experienced modest economic growth in recent years. The following significant assumptions were made in setting the 2019 budget:

- Property tax revenues will remain relatively constant.
- User fees will remain relatively constant.
- Operating expenses will increase modestly due to merit pay increases and related increases in benefits, particularly retirement contributions.
- Capital expenditures will continue from available pay-as-you-go tax revenue for parks and replacement of aging fleet and equipment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for those with an interest in the Commission's financial position and operations. Questions concerning information provided in this report or requests for additional information should be addressed to Recreation and Park Commission of East Baton Rouge Finance Department, 6201 Florida Boulevard, Baton Rouge, Louisiana 70806.

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

STATEMENT OF NET POSITION DECEMBER 31, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 46,856,396
Ad valorem taxes receivable, net	60,748,421
Due from other governments and other	1,978,614
Inventory	440,072
Capital assets - non-depreciable	37,976,976
Capital assets - depreciable, net	136,193,840
TOTAL ASSETS	284,194,319
DEFERRED OUTFLOWS	
Loss on debt refunding	1,500,629
Total other post-employment benefit liability	405,366
Net pension liability	12,651,090
TOTAL DEFERRED OUTFLOWS	14,557,085
LIABILITIES	
Accounts payable	3,849,385
Accrued expenses payable	1,653,952
Long-term liabilities:	
Due within one year (bonds, lease, compensated absences, claims)	5,915,800
Due within one year (total other post-employment benefits liability)	700,000
Due in more than one year	28,624,072
Total other post-employment benefits liability	14,886,651
Net pension liability	65,136,770
TOTAL LIABILITIES	120,766,630
DEFERRED INFLOWS	
Total other post-employment benefit liability	1,420,975
Net pension liability	4,271,548
	5,692,523
NET POSITION	
Net investment in capital assets	146,275,986
Restricted	
Capital projects	18,675,199
Debt service	4,376,985
Unrestricted	2,964,081
TOTAL NET POSITION	$ 172,292,251

The accompanying notes are an integral part of this financial statement.

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Functions/Programs	Expenses	Charges for Services	Capital Grants and Contributions	Total Governmental Activities
Governmental activities				
Administration and planning	$ 19,106,779	$ -	$ -	$ (19,106,779)
Maintenance department operations	14,333,077	-	-	(14,333,077)
Recreation program operations	21,186,005	3,471,761	922,986	(16,791,258)
Golf operations	7,235,278	3,515,432	447,964	(3,271,882)
Zoo operations	6,255,005	1,780,807	-	(4,474,198)
Aquatics and therapeutics	1,321,393	1,113,753	-	(207,640)
Interest Expense	890,944	-	-	(890,944)
	$ 70,328,481	$ 9,881,753	$ 1,370,950	$ (59,075,778)
General Revenues				
Property taxes				61,832,345
State revenue sharing				1,551,264
Earnings on investments				1,606,906
Miscellaneous				667,955
Total general revenues				65,658,470
Change in Net Position				6,582,692
Net Position - December 31, 2017, restated				165,709,559
Net Position - December 31, 2018				$ 172,292,251

The accompanying notes are an integral part of this financial statement.

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

GOVERNMENTAL FUNDS BALANCE SHEET DECEMBER 31, 2018

	General Fund	Capital Improvements Fund	Enhancement Construction Fund	Special Revenue Enhancement Fund	NON-MAJOR FUND Debt Service Fund	Total
ASSETS						
Cash and cash equivalents	$ 15,936,673	$ 13,361,811	$ 14,257,356	$ 68,685	$ 51,805	$ 43,676,330
Ad valorem taxes receivable, net	38,474,420	8,610,542	-	13,663,459	-	60,748,421
Due from governments and other	1,781,857	196,757	-	-	-	1,978,614
Inventory	440,072	-	-	-	-	440,072
Due from other funds	10,029,855	-	4,237,942	-	4,428,111	18,695,908
TOTAL ASSETS	66,662,877	22,169,110	18,495,298	13,732,144	4,479,916	125,539,345
DEFERRED OUTFLOWS	-	-	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 66,662,877	$ 22,169,110	$ 18,495,298	$ 13,732,144	$ 4,479,916	$ 125,539,345
LIABILITIES						
Accounts payable	2,404,998	722,960	129,138	386,651	-	3,643,747
Accrued expenses payable	1,458,510	48,322	44,189	-	-	1,551,021
Due to other funds	-	2,209,437	3,232,897	12,686,304	-	18,128,638
TOTAL LIABILITIES	3,863,508	2,980,719	3,406,224	13,072,955	-	23,323,406
DEFERRED INFLOWS	2,275,617	513,192	-	659,189	-	3,447,998
FUND BALANCE						
Nonspendable	440,072	-	-	-	-	440,072
Spendable:						
Restricted	-	18,675,199	-	-	4,479,916	23,155,115
Committed	1,342,965	-	-	-	-	1,342,965
Assigned	40,688,831	-	15,089,074	-	-	55,777,905
Unassigned	18,051,884	-	-	-	-	18,051,884
TOTAL FUND BALANCE	60,523,752	18,675,199	15,089,074	-	4,479,916	98,767,941
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES	$ 66,662,877	$ 22,169,110	$ 18,495,298	$ 13,732,144	$ 4,479,916	$ 125,539,345

The accompanying notes are an integral part of this financial statement.

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2018

Total Fund Balances at December 31, 2018 - Governmental Funds		$ 98,767,941
Cost of capital assets at December 31, 2018	$ 321,778,079	
Less: Accumulated Depreciation as of December 31, 2018	147,607,263	174,170,816
Deferred inflows at December 31, 2018 (property tax and revenue sharing not available)		3,447,998
Deferred inflows at December 31, 2018 (net pension liability)		(4,271,548)
Deferred outflows at December 31, 2018 (loss on bond refunding)		1,500,629
Deferred outflows at December 31, 2018 (net pension liability)		12,651,090
Deferred inflows at December 31, 2018 (total OPEB liability)		(1,420,975)
Deferred outflows at December 31, 2018 (total OPEB liability)		405,366
Consolidation of internal service funds		482,158
Accrued interest on bonds payable		(102,931)
Long-term liabilities at December 31, 2018:		
Bonds payable	$ (28,995,000)	
Compensated absences payable	(3,219,413)	
Lease debt	(400,459)	
Net Pension Liability	(65,136,770)	
Total other post-employment benefit obligation	(15,586,651)	(113,338,293)
Total net position at December 31, 2018 - Governmental Activities		$ 172,292,251

The accompanying notes are an integral part of this statement.

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Capital Improvements Fund	Enhancement Construction Fund	Special Revenue Enhancement Fund	NON-MAJOR FUND Debt Service Fund	Total
REVENUES						
Local sources:						
Ad valorem taxes	$ 39,598,367	$ 8,862,080	$ -	$ 14,062,608	$ -	$ 62,523,055
Recreation activity fees	9,881,753	-	-	-	-	9,881,753
Earnings on investments	787,216	365,196	305,290	74,140	23,552	1,555,394
Donations and miscellaneous	466,697	123,712	720	-	-	591,129
Intergovernmental revenues:						
Revenue sharing	1,259,670	293,656	-	-	-	1,553,326
Restricted grants-in-aid	959,211	273,235	-	-	-	1,232,446
TOTAL REVENUES	52,952,914	9,917,879	306,010	14,136,748	23,552	77,337,103
EXPENDITURES						
Current:						
Administrative and planning	12,877,267	1,111,202	295,896	386,651	1,700	14,672,716
Maintenance department operations	11,583,894	-	-	-	-	11,583,894
Recreation program operations	12,049,970	-	-	-	-	12,049,970
Golf operations	5,627,394	-	-	-	-	5,627,394
Zoo operations	5,319,864	-	-	-	-	5,319,864
Aquatics and therapeutics	1,129,354	-	-	-	-	1,129,354
Flood relief operations	144,369	-	-	-	-	144,369
Debt service						
Principal	50,751	-	-	-	3,800,000	3,850,751
Interest	12,507	-	-	-	658,064	670,571
Capital outlay	3,424,375	7,008,796	1,991,635	-	-	12,424,806
TOTAL EXPENDITURES	52,219,745	8,119,998	2,287,531	386,651	4,459,764	67,473,689
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	733,169	1,797,881	(1,981,521)	13,750,097	(4,436,212)	9,863,414

(continued)

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 2018

					NON-MAJOR FUND	
	General Fund	Capital Improvements Fund	Enhancement Construction Fund	Special Revenue Enhancement Fund	Debt Service Fund	Total
OTHER FINANCING SOURCES (USES)						
Lease proceeds	451,210	-	-	-	-	451,210
Transfers out	(2,088,265)	-	-	(13,750,097)	-	(15,838,362)
Transfers in	4,217,978	-	5,074,054	-	4,458,064	13,750,096
TOTAL OTHER FINANCING SOURCES (USES)	2,580,923	-	5,074,054	(13,750,097)	4,458,064	(1,637,056)
CHANGES IN FUND BALANCE	3,314,092	1,797,881	3,092,533	-	21,852	8,226,358
Fund Balance, December 31, 2017, as restated	57,209,660	16,877,318	11,996,541	-	4,458,064	90,541,583
Fund Balance, December 31, 2018	$ 60,523,752	$ 18,675,199	$ 15,089,074	$ -	$ 4,479,916	$ 98,767,941

The accompanying notes are an integral part of this financial statement. (concluded)

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

RECONCILIATION OF THE GOVERNMENTAL FUNDS - STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Excess of Revenues and Other Financing Sources over Expenditures and Other Uses - Total Governmental Funds		$ 8,226,358
Capital Assets:		
Capital outlay and other expenditures capitalized	$ 11,747,893	
Loss on disposal of property and impairment	(21,286)	
Depreciation expense for year ended December 31, 2018	(11,599,119)	127,488
Change in deferred inflows and outflows - property tax and revenue sharing		(692,771)
Change in net position of internal service fund		915,546
Proceeds from lease debt		(451,210)
Long Term Debt:		
Principal portion of debt service payments and redemptions	3,800,000	
Change in net pension liability and related deferrals	(4,947,840)	
Change in post-employment benefit obligation	(111,180)	
Deferred loss amortization	(233,864)	
Payment on lease debt	50,751	
Change in accrued interest on long-term debt	13,491	
Change in compensated absences payable	$ (114,077)	(1,542,719)
Change in Net Position - Governmental Activities		$ 6,582,692

The accompanying notes are an integral part of this statement.

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA

PROPRIETARY FUND TYPE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Employee Benefit Fund	Risk Management Fund	Unemployment Insurance Fund	Total Internal Service Funds
ASSETS				
Current:				
Cash and cash equivalents	$ 1,473,465	$ 1,320,219	$ 386,382	$ 3,180,066
Due from other funds	5,100	36,346	-	41,446
TOTAL ASSETS	$ 1,478,565	$ 1,356,565	$ 386,382	$ 3,221,512
LIABILITIES				
Liabilities:				
Current:				
Accounts payable	162,291	43,347	-	205,638
Due to other funds	608,716	-	-	608,716
Accrued expenses	-	-	-	-
Claims payable	300,000	625,000	-	925,000
	1,071,007	668,347	-	1,739,354
Long-term:				
Claims payable	-	1,000,000	-	1,000,000
TOTAL LIABILITIES	1,071,007	1,668,347	-	2,739,354
NET POSITION				
Restricted	-	100,000	-	100,000
Unrestricted	407,558	(411,782)	386,382	382,158
	407,558	(311,782)	386,382	482,158
TOTAL LIABILITIES AND NET POSITION	$ 1,478,565	$ 1,356,565	$ 386,382	$ 3,221,512

The accompanying notes are an integral part of this financial statement.

**RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA**

**PROPRIETARY FUND TYPE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
DECEMBER 31, 2018**

	Employee Benefit Fund	Risk Management Fund	Unemployment Insurance Fund	Total Internal Service Funds
OPERATING REVENUES				
Premiums received	$ 4,763,943	$ 76,826	$ -	$ 4,840,769
Printshop charges	-	-	-	-
TOTAL OPERATING REVENUE	4,763,943	76,826	-	4,840,769
OPERATING EXPENSES				
Claims expense	4,251,942	556,873	-	4,808,815
Insurance premiums	-	450,224	-	450,224
Personnel expenses	-	-	-	-
Materials and supplies	-	-	-	-
Administrative fees	708,101	97,861	-	805,962
TOTAL OPERATING EXPENSES	4,960,043	1,104,958	-	6,065,001
NET OPERATING LOSS	(196,100)	(1,028,132)	-	(1,224,232)
NON-OPERATING REVENUES				
Interest income	30,545	13,099	7,868	51,512
Transfers in	-	2,088,266	-	2,088,266
CHANGE IN NET POSITION	(165,555)	1,073,233	7,868	915,546
NET POSITION at DECEMBER 31, 2017	573,113	(1,385,015)	378,514	(433,388)
NET POSITION at DECEMBER 31, 2018	$ 407,558	$ (311,782)	$ 386,382	$ 482,158

The accompanying notes are an integral part of this financial statement.

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA

PROPRIETARY FUND TYPE
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
DECEMBER 31, 2018

	Employee Benefit Fund	Risk Management Fund	Unemployment Insurance Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash premiums received	$ 4,763,943	$ 76,826	$ -	$ 4,840,769
Printshop charges received	-	-	-	-
Cash paid in claims and premiums	(4,251,942)	(1,172,097)	-	(5,424,039)
Cash paid for expenses	(736,992)	(156,021)	-	(893,013)
NET CASH USED IN OPERATING ACTIVITIES	(224,991)	(1,251,292)	-	(1,476,283)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund transfers and advances	480,743	2,068,352	-	2,549,095
NET CASH USED IN (PROVIDED BY) NONCAPITAL FINANCING ACTIVITIES	480,743	2,068,352	-	2,549,095
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest Income	30,545	13,099	7,868	51,512
NET CASH PROVIDED BY INVESTING ACTIVITIES	30,545	13,099	7,868	51,512
NET CHANGE IN CASH	286,297	830,159	7,868	1,124,324
Cash at beginning of year	1,187,168	490,060	378,514	2,055,742
CASH AT END OF YEAR	$ 1,473,465	$ 1,320,219	$ 386,382	$ 3,180,066
Reconciliation of change in net position to net cash used in operating activities				
Net operating loss	$ (196,100)	$ (1,028,132)	$ -	$ (1,224,232)
Adjustments to reconcile change in net position to net cash used in operating activities:				
Changes in:				
Accounts receivable	-	-		-
Accounts payable	(28,891)	(48,860)	-	(77,751)
Accrued Expenses	-	(9,300)	-	(9,300)
Claims payable	-	(165,000)	-	(165,000)
NET CASH USED IN OPERATING ACTIVITIES	$ (224,991)	$ (1,251,292)	$ -	$ (1,476,283)

The accompanying notes are an integral part of this financial statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting.

A. REPORTING ENTITY

The Recreation and Park Commission for the Parish of East Baton Rouge is a body corporate created by Act 246 of the 1946 Session of the Legislature and reorganized by Act 95 of the 1985 Legislature. The Commission has the power to sue and be sued, and to purchase and operate parks and recreation facilities not inconsistent with the laws of the State of Louisiana or the ordinances of the governing authority of East Baton Rouge Parish. The Commission is composed of nine members who serve without compensation.

GASB Codification Section 2100, establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Commission is considered a *primary government*, since it is a special purpose government that is legally separate and is fiscally independent of other state or local governments. As used in GASB Codification Section 2100 fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Commission has no *component units*, as defined by the GASB or other legally separate organizations for which the Commission members are financially accountable. With the exception of the City-Parish Government of East Baton Rouge which is considered to be a related entity as defined by the GASB, there are no other primary governments with which the Commission has a significant relationship.

B. BASIS OF PRESENTATION AND ACCOUNTING

The Commission's basic financial statements consist of the government-wide statements, the fund financial statements, and the related notes to the basic financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units and promulgated by the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*. Both the government-wide financial statements and the proprietary fund financial statements follow the guidance included in GASB Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance Contained In Pre-November 30, 1989 FASB and AICPA Pronouncements*.

Government-Wide Financial Statements (GWFS)

The Government-Wide Financial Statements were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability has been incurred, regardless of the timing of the related cash flows. Property taxes are recognized when a legally enforceable claim arises. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

B. BASIS OF PRESENTATION AND ACCOUNTING (continued)

Government-Wide Financial Statements (GWFS) (continued)

The Statement of Activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated by function for financial reporting in this Statement. Program revenues include 1) charges to customers who purchase or use goods and services provided by a given function or segment, and 2) grants that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues. This includes internally dedicated resources such as restricted property taxes.

Fund Financial Statements (FFS)

The accounts of the Commission are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Funds are maintained consistent with legal and managerial requirements.

Funds of the Commission can be classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types.

Governmental Funds are used to account for the Commission's primary activities, including the collection and disbursement of specific or legally restricted monies, operations, the acquisition or construction of capital assets, and the servicing of long-term debt. The Commission reports the following major governmental funds:

General Fund is the primary operating fund of the Commission. It accounts for all financial resources of the Commission, except those required to be accounted for in another fund.

Capital Improvements Fund is used to account for property taxes that are dedicated to the acquisition, construction, or improvement of major capital facilities.

Enhancement Construction Fund is used to account for capital improvements and facility enhancements pursuant to the Imagine Your Parks Strategic Master Plan.

Special Revenue Enhancement Fund is used to account for and distribute the proceeds of a 3.253 mill tax to be used in accordance with the Imagine Your Parks Strategic Master Plan.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

B. BASIS OF PRESENTATION AND ACCOUNTING (continued)

Fund Financial Statements (FFS) (continued)

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 6 months after year-end, or within 60 days after year-end for property taxes and state revenue sharing. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in current net assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Ad valorem taxes are recognized when a legally enforceable claim arises (generally when levied) and the resources are available.

Entitlements and shared revenues are recorded as unrestricted grants-in-aid upon meeting the eligibility requirements and becoming measurable and available.

User fee revenues are generally point-of-sale transactions and become measurable and available upon patron use of the facility or service. Revenue is recognized by the Commission at that time.

Expenditures

Salaries and benefits are recorded as earned, except for compensated absences and retirement benefits which are recognized when paid.

Vendor payments are recorded as the obligation is incurred.

Proprietary funds are used to account for activities whose costs are intended to be covered through service charges or transaction related fees. Two types of proprietary funds are utilized under GASB: Enterprise funds and Internal Service funds. The Commission has no Enterprise funds, but employs three separate Internal Service funds. As proprietary funds, the Internal Service funds utilize the accrual basis of accounting similar to that used in the private sector. Revenues are recognized when earned and measurable and expenses are recognized when incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. BASIS OF PRESENTATION AND ACCOUNTING (continued)

Fund Financial Statements (FFS) (continued)

Internal Service funds are used by the Commission to account for: (1) providing of medical and life insurance benefits to employees and retirees, (2) costs associated with workers' compensation, general liability, and vehicle liability claims, and (3) costs associated with unemployment claims. The Internal Service funds are presented in the proprietary fund financial statements. Since the principal users of the Internal Service funds are the Commission's activities, financial statements of internal service funds are consolidated into the governmental activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and premium expenses generally result from providing services and producing and delivering goods or services in connection with a proprietary fund's principal ongoing operations which, for the Commission are risk management. Operating expenses for internal service funds include the cost of sales to other funds and departments, services and claims, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

C. CASH AND INVESTMENTS

Cash and cash equivalents can include demand deposit account balances, certificates of deposit and U.S. government securities with maturities of 90 days or less from the date purchased. As of December 31, 2018, cash and cash equivalents consist solely of demand and term deposits.

Investments, when purchased and held, are reported at fair market value. Securities are valued at the last reported sales price prior to year end. Unrealized gains and losses on investments are recorded at fair value and are included in investment income.

D. ELIMINATION AND RECLASSIFICATIONS

In the process of consolidating data for the statement of net position and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

E. INVENTORY

Merchandise inventories (items held for resale) and supply inventories are valued at the lower of cost or market, using a moving weighted average. Inventory items are recorded as expenditures when consumed or sold rather than when purchased. Inventory balances at year end are equally offset as non-spendable fund balance.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

F. CAPITAL ASSETS

All capital assets are capitalized at historical cost, or estimated historical costs for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a $1,000 threshold level for capitalizing assets. The costs of normal maintenance and repairs that do not add value to the asset or materially extend its useful life are not capitalized.

Capital assets are recorded in the GWFS, but are not reported in the Governmental FFS. All depreciable capital assets are depreciated using the straight-line method over their estimated lives. Useful lives are approximately 5 to 20 years for equipment, buildings and improvements. Infrastructure assets acquired prior to 1982 were recorded at estimated values in 1982.

In accordance with customary practice among zoological organizations, animal and horticultural collections are not generally recorded at any value, as there is no objective basis for establishing value. Additionally, animal and horticultural collections have numerous attributes, including species, age, sex, relationship and value to other animals, endangered status, and breeding potential, whereby it is impracticable to assign value. Expenditures related to animal and horticultural acquisitions are expensed in the period of acquisition. In an ongoing commitment to enhance the worldwide reproduction and preservation of animals, the Commission shares animals with other organizations. Consistent with industry practice, the Commission does not record any asset or liability for such sharing arrangements, as generally these arrangements are without monetary consideration.

G. COMPENSATED ABSENCES

All employees earn vacation leave at various rates from 100 hours per 2,080 paid hours per year (.0481 per paid hour) to 192 hours per 2,080 paid hours per year (.0923 per paid hour) depending upon length of service. A maximum of 120 days (960 hours) may be carried over from one year to the next. Upon resignation, retirement, or death, a maximum amount equal to 120 days (960 hours) of earned vacation leave is paid to the employee (or heirs) at the employee's current rate of pay.

Employees earn sick leave at various rates from 120 hours per 2,080 paid hours per year (.0577 per paid hour) to 192 hours per 2,080 paid hours per year (.0923 per paid hour) depending on length of service. Sick leave may be accumulated without limit. Accumulated sick leave is not paid to an employee leaving service prior to retirement. A full-time employee (or heirs) may be paid for a maximum of 120 days (960 hours) of sick leave (or a combination of sick and vacation leave not to exceed 120 days) upon the employee's retirement (or death, if retirement eligible). Part-time employees are not eligible for paid sick leave.

Commission employees of certain job classifications may accrue compensatory (comp) time in lieu of overtime pay up to a maximum of 160 hours (40 hours for comp executive time). Comp time is paid by the Commission upon termination, resignation, retirement or death, up to the maximum balance of 160 hours (40 hours for comp executive time).

The cost of leave privileges is recognized as a current-year payroll expenditure in the General Fund when leave is actually taken, or when employees (or their heirs) are paid for accrued unused leave. In the government-wide financial statements the total compensated absences liability is recorded as a long-term obligation and the change therein is recorded as an increase or reduction to expenses.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

G. COMPENSATED ABSENCES (continued)

The Commission's recognition and measurement criteria for compensated absences follows:

GASB Codification C20 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

a. The employees' rights to receive compensation are attributable to services already rendered.
b. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

a. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals. The Commission uses this approach.

b. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

H. NET POSITION

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

When expenses are incurred for purposes for what both restricted and unrestricted amounts are available, the Commission uses restricted amounts first, followed by unrestricted amounts.

I. FUND EQUITY OF FUND FINANCIAL STATEMENTS

Accounting standards require governmental fund balances to be reported in as many as five classifications as listed below in accordance with Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.*

Nonspendable – represents balances that are not expected to be converted to cash in the short-term.

Restricted – represent balances where constraints have been established by parties outside of the Commission or `by enabling legislation.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

I. FUND EQUITY OF FUND FINANCIAL STATEMENTS (continued)

Committed – represent balances where constraints have been established by formal action of the Commission. A simple majority vote in a public meeting is required to establish, modify, or rescind a fund balance commitment.

Assigned – represent balances where informal constraints have been established by the Commission or delegate thereof, but are not restricted nor committed.

Unassigned – represent balances for which there are no constraints.

When expenditures are incurred for purposes for which both restricted and unrestricted amounts are available, the Commission reduces restricted amounts first, followed by unrestricted amounts. When expenditures are incurred for purposes for which committed, assigned, and unassigned amounts are available, the Commission reduces committed amounts first, followed by assigned amounts and then unassigned amounts.

J. INTERFUND ACTIVITY

Interfund activity is reported as loans, reimbursements, or transfers. Advances between funds that are intended to be repaid are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation (Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement). All other interfund transactions are treated as transfers. Transfers are movements of monies between funds that will not be repaid. All transfers are netted as part of the reconciliation to the government-wide financial statements.

K. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

L. BUDGET PRACTICES

Annually the Commission adopts operating budgets for all governmental funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The proposed budget is prepared using the modified accrual basis of accounting. It is made available for public inspection at the Superintendent's office. The budget is introduced to the Commission at its meeting in November of each year. It is adopted by the Commission at the December meeting after a public hearing. Amendments are recommended to the Commission as needed, and approved at public meetings.

All appropriations lapse at year end. Formal budget integration is employed as a management control device during the year for the governmental funds. The Board of Commissioners reserves all authority to change the budgets.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. ENCUMBRANCES

Encumbrances represent purchase orders, contracts, or other commitments; and are recorded in budgetary funds to reserve portions of applicable appropriations. The Commission uses an encumbrance accounting system for reporting purchase orders placed late in the year for which goods were not received by December 31st. At year end, outstanding purchase orders are established as an assignment of fund balance for reporting purposes only, since they do not constitute expenditures or liabilities.

N. LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the government-wide statement of net position, but not in the governmental funds.

In the government-wide statement of net position, long-term debt and other long-term obligations including the total other post-employment benefit obligation, compensated absences and the net pension liability, are reported as liabilities. Bond premiums, discounts, insurance costs, and gains (losses) on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of bond issuance.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current financial period. The face amount of the debt issue is reported as "other financing sources." Premiums received on debt issuances are reported as "other financing sources" and discounts on debt are reported as "other financing uses."

O. Pension Plans

The Commission is a participating employer in a defined benefit pension plan (plan) as described in Note 5. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of each of the plans, and additions to/deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by each of the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments have been reported at fair value within each plan.

P. Deferred Outflows/Inflows of Resources

The Statement of Financial Position will often report a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The deferred outflows of resources on the Statement of Net Position are a result of deferrals concerning bonded debt, pensions and other post-employment benefits. The deferred inflows of resources are also a result of deferrals related to pensions and other post-employment benefits, but also include amounts for property taxes recognized as receivable but unavailable for current year operations.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

Q. Current Year Adoption of new Accounting Standard

The Commission adopted the Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. See Note 13 for the net effect to the entity-wide Statement of Net Position for the prior year that resulted from the adoption of GASB 75.

2. **PROPERTY TAXES**

The 1974 Louisiana Constitution (Article 7, Section 8) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47: 1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years.

The 2018 property tax calendar was as follows:

Millage rates adopted	May 24, 2018
Levy date	May 24, 2018
Tax bills mailed	November, 2018
Due date	December 31, 2018

State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. Property taxes become delinquent January 1 of the following year. If taxes are not paid by the due date, taxes bear interest at the rate of 1.25% per month until the taxes are paid. After notice is given to the delinquent taxpayers, the sheriff is required by the *Constitution of the State of Louisiana* to sell the least quantity of property necessary to settle the taxes and interest owed.

Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

At the governmental fund level, property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred inflows in the year of levy. Such deferred inflows are recognized as revenue in the fiscal year in which they become available.

At the entity-wide level property taxes are recognized in the year of the levy net of uncollectible amounts.

2. PROPERTY TAXES (continued)

The authorized and levied millage consisted of the following for 2018:

Approved Millage Rate	Levied Millage Rate	Expiration	Authorized Use Per Proposition
4.10	4.10	2024	Capital improvements, operations, maintenance
2.10	2.10	2024	Operations and maintenance
3.96	3.96	2026	Operations and maintenance
3.253	3.253	2024	Capital improvements, operations, maintenance pursuant to the Strategic Master Plan
1.05	1.05	Permanent	Any lawful purpose
14.463	14.463		

Property taxes receivable and estimated uncollectible taxes by fund for governmental funds are as follows:

	Gross Property Taxes Receivable	Estimated Uncollectible Property Taxes	Net Property Taxes Receivable
General Fund	$ 39,060,325	$ 585,905	$ 38,474,420
Capital Improvements Fund	8,741,667	131,125	8,610,542
Special Revenue Enhancement Fund	13,871,532	208,073	13,663,459
	$ 61,673,524	$ 925,103	$ 60,748,421

The Commission is subject to certain property tax abatements granted by the Louisiana State Board of Commerce and Industry (the "State Board"), a state entity governed by board members representing major economic groups and gubernatorial appointees. Abatements to which the government may be subject include those issued for property taxes under the Industrial Tax Exemption Program ("ITEP") and the Restoration Tax Abatement Program ("RTAP"). For the year ending December 31, 2018, the government participated in the Industrial Tax Exemption Program.

Under the ITEP, as authorized by Article 7, Section 21(F) of the Louisiana Constitution and Executive Order Number JBE 2016-73, companies that qualify as manufacturers can apply to the State Board for a property tax exemption on all new property, as defined, used in the manufacturing process. Under the ITEP, companies are required to promise to expand or build manufacturing facilities in Louisiana, with a minimum investment of $5 million. The exemptions are granted for a 5-year term and are renewable for an additional 5-year term upon approval by the State Board. In the case of the local government, these abatements have resulted in reductions of property taxes, which the tax assessor administers as a temporary reduction in the assessed value of the property involved. The abatement agreements stipulate a percentage reduction of property taxes, which can be as much as 100 percent.

Taxes abated under ITEP for the year ended December 31, 2018 were approximately $6,700,000.

3. CASH AND CASH EQUIVALENTS

At December 31, 2018, the Commission's cash balances consist of deposits in financial institutions and petty cash at various facilities as follows:

	Carrying Amount	Bank Balance
Cash and cash equivalents	$ 46,835,285	$ 47,444,309
Petty cash	21,111	-
	$ 46,856,396	$ 47,444,309

Deposits in financial institutions can be exposed to custodial credit risk. Custodial credit risk for deposits is the risk that in the event of financial institution failure, the Commission's deposits may not be returned. To guard against this risk, under state law, deposits 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 or exceed the amount on deposit with the fiscal agent. The Commission had no custodial credit risk as of December 31, 2018.

Securities that may be pledged as collateral consist of obligations of the U.S. Government and its agencies, obligations of the State of Louisiana and its municipalities and school districts.

The Commission is authorized by LRS 39:1211-1245 and 33:2955 to invest temporarily idle monies in various risk-averse instruments including U.S. Government direct and agency obligations, certificates of deposit of qualified financial institutions, certain debt mutual funds, the Louisiana Asset Management Pool (LAMP) and other investments. The Commission had no investments as of December 31, 2018.

4. CAPITAL ASSETS

Capital assets and depreciation activity as of and for the year ended December 31, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated				
Land	$ 29,761,385	$ 161,856	$ -	$ 29,923,241
Construction-in-progress	10,715,093	9,398,082	(12,059,440)	8,053,735
Total capital assets, not depreciated	40,476,478	9,559,938	(12,059,440)	37,976,976
Capital Assets Being Depreciated				
Immovable property	252,342,443	12,059,441	-	264,401,884
Movable property and equipment	18,645,263	2,187,955	(1,433,998)	19,399,220
Total capital assets being depreciated	270,987,706	14,247,396	(1,433,998)	283,801,104
Less Accumulated Depreciation For				
Immovable property	123,122,076	10,389,247	-	133,511,323
Movable property and equipment	14,298,780	1,209,872	(1,412,711)	14,095,941
	137,420,856	11,599,119	(1,412,711)	147,607,264
Total Capital Assets Being Depreciated (net)	133,566,850	2,648,277	(21,287)	136,193,840
Total Captial Assets (net)	$ 174,043,328	$ 12,208,215	$ (12,080,727)	$ 174,170,816

Depreciation expense for 2018 is charged to the following functions in the statement of activities:

Administrative and planning	$ 955,834
Maintenance department operations	945,290
Recreation, program operations	8,097,958
Golf operations	1,099,886
Zoo operations	308,112
Aquatics operations	192,039
	$ 11,599,119

5. RETIREMENT SYSTEMS

A. DEFINED BENEFIT PLANS

Employees' Retirement System of the City of Baton Rouge, Parish of East Baton Rouge (CPERS)

The Commission is a participating employer in a cost-sharing defined benefit pension plan. This plan is administered by the City of Baton Rouge and Parish of East Baton Rouge Employees' Retirement System (CPERS or the System). The Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge maintains the authority to establish and amend plan benefits. The System is administered by a separate board of trustees and is a component unit of the City of Baton Rouge and Parish of East Baton Rouge.

The System issues an annual publicly available financial report that includes the financial statements and required supplementary information for the system. These reports may be obtained by writing, calling or downloading the reports as follows:

CPERS:
209 Saint Ferdinand St.
Baton Rouge, Louisiana 70802
(225) 389-3272
www.brgov.com/dept/ers

The Commission has implemented Government Accounting Standards Board (GASB) Statement 68 on *Accounting and Financial Reporting for Pensions* and Statement 71 on *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB 68.* These standards require the Commission to record its proportional share of the pension plan's Net Pension Liability and report the following disclosures:

Plan Description

The Retirement System was created by The Plan of Government and is governed by a seven-member Board of Trustees (the Board). The Board is responsible for administering the assets of the Retirement System and for making policy decisions regarding investments. Four of the trustees are elected members of the Retirement System. Two are elected by non-police and non-fire department employees, and one trustee each is elected by the police and fire department employees. The remaining membership of the Board consists of one member appointed by the Mayor-President, and two members appointed by the Metropolitan Council. The Metropolitan Council maintains the authority to establish and amend plan benefits.

Retirement Benefits

The following is a description of the plan and its benefits, and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

Any person who becomes a regular full-time employee of one of the member employers becomes a member of the Retirement System as a condition of employment, except in the case of newly hired employees of certain participating employers who are mandated to enroll in a statewide retirement system, or those covered under a collective bargaining agreement. Contractual employees may or may not become members, depending upon the provisions of their respective contracts.

5. **RETIREMENT SYSTEMS** (continued)

A. DEFINED BENEFIT PLANS (continued)

Retirement Benefits (continued)

A. Normal Retirement

An employee's benefit rights vest after the employee has been a member of the Retirement System for 10 years. Benefit payments are classified into two distinct categories: 1.) full retirement benefits and 2.) minimum eligibility benefits. The service requirements and benefits granted for each category are:

1. Full retirement benefits:
   a. Granted with 25 years of service, regardless of age.
   b. Defined as 3% of average compensation times the number of years of service.
2. Minimum eligibility benefits:
   a. Granted with 20 years of service regardless of age; or at age 55 with 10 years of service.
   b. Defined as 2.5% of average compensation times the number of years of service.

Average compensation is determined by the highest average compensation in 36 successive months. In the case of interrupted service, the periods immediately before and after the interruption may be joined to produce 36 successive months. In cases of 20 or more and less than 25 years of service, the computed benefit amount is reduced by 3% for each year below age 55. Benefits paid to employees shall not exceed 90% of average compensation.

B. Deferred Retirement Option Program (DROP)

Deferred retirees (participants in the Deferred Retirement Option Plan (DROP)) are employees who are eligible for retirement, but have chosen to continue employment for a maximum of five years if the member has 25 years of creditable service, or three years if the member has at least 10 but less than 25 years and is age 55 or older. Pension annuities are fixed for these employees and can never be increased, and neither employee nor employer contributions are contributed to the Retirement System on their earnings. DROP deposits for the amount of the participant's monthly benefits are placed in a deferred reserve account until the deferred retirement option period elapses, or until the employee discontinues employment, whichever comes first. These accounts bear interest beginning with the date of the initial deposit for employees who fulfill the provisions of their DROP contract. Failure to fulfill these provisions, specifically to terminate employment at the end of the maximum DROP participation period, results in the enforcement of certain penalty provisions, such as forfeiture of interest and disbursement of the balance of the DROP account to the member or to another qualifying pension plan.

5. **RETIREMENT SYSTEMS** (continued)

A. DEFINED BENEFIT PLANS (continued)

Retirement Benefits (continued)

Funding Policy

CPERS plan members contribute a percentage of their annual covered salary, which is stipulated in Part IV, Subpart 2, Sec. 1:264(A) 1 (b) of the City-Parish Code of Ordinances. Participating employers are required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at rates annually determined by the CPERS's actuary. The Metropolitan Council of the City of Baton Rouge and Parish of East Baton Rouge has authority to determine employee contributions to CPERS.

Contributions to the plan are required and determined by the East Baton Rouge Metropolitan Council and are expressed as a percentage of covered payroll. The contribution rates in effect for the year ended December 31, 2018, for the Commission and covered employees were as follows:

Commission	Employees
35.49%	9.50%

The contributions made to the System for the past three fiscal years, which equaled the required contributions for each of these years, were as follows:

December 31,		
2018	2017	2016
$ 6,083,889	$ 5,480,952	$ 5,132,391

5. **RETIREMENT SYSTEMS** (continued)

A. DEFINED BENEFIT PLANS (continued)

Retirement Benefits (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The following schedule lists the Commission's proportionate share of the Net Pension Liability allocated by the pension plan as of the measurement date for the plan of December 31, 2017. The Commission uses this measurement to record its Net Pension Liability and associated amounts as of December 31, 2018 in accordance with GASB Statement 68. The schedule also includes the proportionate share allocation rate used as of the respective measurement date along with the change compared to the immediately prior measurement date. The Commission's proportion of the Net Pension Liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

Measurement Date	Net Pension Liability at Measurement Date	Proportion at Measurement Date	Increase (Decrease) to Prior Year Proportion
December 31, 2017	$ 65,136,770	12.165210%	(0.04072%)

The Commission's recognized pension expense for the year ended December 31, 2018 was $11,170,233.

At December 31, 2018, the Commission reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 3,162,691	$ -
Changes in assumptions	1,445,865	-
Net difference between projected and actual earnings on pension plan investments	-	(4,119,435)
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,684,131	(152,113)
Differences between allocated and actual contributions	274,514	
Employer contributions subsequent to the measurement date	6,083,889	-
	$ 12,651,090	$ (4,271,548)

The Commission reported a total of $6,083,889 as deferred outflow of resources related to pension contributions made subsequent to the measurement which will be recognized as a reduction in Net Pension Liability in the year ended December 31, 2019.

5. **RETIREMENT SYSTEMS** (continued)

A. DEFINED BENEFIT PLANS (continued)

Retirement Benefits (continued)

Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Deferral Period	CPERS
2019	$ 4,147,560
2020	1,871,859
2021	(1,596,272)
2022	(2,127,494)
	$ 2,295,653

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability for each pension plan as of the measurement period for each plan are as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.25% net of investment expenses
Inflation Rate	2.75% per annum
Mortality	RP-2000 Healthy Combined Blue Collar Projected with Scale BB to 2019 RP-2000 Disabled Mortality Projected with Scale BB to 2019
Salary Increases	*Age* / *Increase*
	30 / *2.50%*
	35 / *1.50%*
	40 / *1.25%*
	45 / *0.75%*
	50 / *0.50%*
	55 / *0.00%*
Cost of Living Adjustments	None

5. **RETIREMENT SYSTEMS** (continued)

A. DEFINED BENEFIT PLANS (continued)

Retirement Benefits (continued)

The following describes the method used by the retirement systems in determining the long term rate of return on pension plan investments:

> The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are included in the pension plan's target asset allocation are as follows:

	Long-Term Target Asset Allocation	Expected Portfolio Real Rate of Return
Asset Class		
Core fixed income	15.0%	1.75%
Core plus fixed income	15.0%	2.25%
Large cap domestic equity	19.5%	4.75%
Non-large cap domestic equity	3.0%	5.50%
International large cap equity	15.0%	5.50%
International small cap equity	2.5%	5.25%
Emerging market equity	5.0%	6.75%
Core real estate	5.0%	4.25%
Master limited partnerships	5.0%	6.75%
Private equity	5.0%	8.50%
Risk parity	5.0%	6.75%
Hedge funds	5.0%	4.30%
Total	100.0%	

Discount Rate

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan'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 discount rate used to measure the total pension liability for CPERS was 7.25% for the measurement date of December 31, 2017.

5. **RETIREMENT SYSTEMS** (continued)

A. DEFINED BENEFIT PLANS (continued)

Retirement Benefits (continued)

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Commission's proportionate share of the Net Pension Liability (NPL) using the discount rate of the Retirement System as well as what the Commission's proportionate share of the NPL would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate used by the retirement system:

	1.0% Decrease	Current Discount Rate	1.0% Increase
Rates	6.25%	7.25%	8.25%
Commission's Share of NPL	$ 84,119,848	$ 65,136,770	$ 49,144,618

Payables to the Pension Plan

The Commission recorded accrued liabilities to CPERS for the year ended December 31, 2018 mainly due to the accrual for payroll at the end of the fiscal year. The amounts due are included in liabilities under the amounts reported as due to others. The balance due to the retirement system at December 31, 2018 is $256,953.

Carpenters' Union and Electrical Workers' Union

Certain employees are members of union benefit plans, which include defined benefit pension plans, as required by the terms of the collective bargaining agreements. For the Carpenters' Union plan and the Electrical Union Members' plans, the plan members are required to contribute 5% and 3.5%, respectively, of their annual covered payroll while the Commission contributes at a rate of 18.0% and 18.0%, respectively. Contributions to the plans were as follows for the past two years:

2018	$106,519
2017	$114,546

Information regarding these plans can be obtained from their respective administrative centers.

- United Brotherhood of Carpenter and Joiners
  6755 Airline Highway
  Baton Rouge, LA 70805
- National Electrical Contractors Association
  13454 Jefferson Highway
  Baton Rouge, LA 70817

5. **RETIREMENT SYSTEMS** (continued)

B. DEFERRED COMPENSATION PLAN

The purpose of the deferred compensation plan is to provide retirement benefits to the participants while affording the maximum portability of these benefits to the participants.

The deferred compensation plan is a defined contribution plan that provides for full and immediate vesting of all contributions remitted to the participating companies on behalf of the participants. Eligible employees make an irrevocable election to participate in the deferred compensation plan and purchase retirement benefits through contracts provided by designated companies.

Total contributions by the Commission are 4% of the covered payroll. The participant's contribution (4%), less any monthly fee required to cover the cost of administration and maintenance of the deferred compensation plan, is remitted to the designated company or companies. Benefits payable to participants are not the obligations of the Commission. Such benefits and other rights of the deferred compensation plan are the liability and responsibility solely of the designated company or companies to whom contributions have been made. Employer and employee contributions to the deferred compensation plan each were approximately $163,000 for the year ended December 31, 2018.

6. **OTHER POST-EMPLOYMENT BENEFITS**

General Information about the OPEB Plan

Plan description – The Commission provides certain continuing health care and life insurance benefits for its retired employees. The Commission' Other Post-Employment Benefit Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Commission. The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Commission. No assets are accumulated in a trust that meets the criteria in Paragraph 4 of Governmental Accounting Standards Board Statement No. 75.

Benefits Provided – Medical benefits to retirees are provided through a self-insured program. The plan provisions are contained in the official plan documents. All employees are covered by the Baton Rouge City Parish Retirement System. The retirement eligibility (D.R.O.P. entry) provision in order to obtain full the retirement benefit formula is 25 years of service at any age. There is a graded formula based on service at retirement to determine the percentage of the total medical premium paid by the employer: 73% for 25 or more years of service; 55% for 20 to 24 years of service; and, 37% for 15 to 19 years of service. Because of these two interacting provisions, we have assumed that D.R.O.P. entry would occur at the earliest of the following: 25 years of service; age 55 and 20 years of service; and, age 60 and 10 years of service.

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

Inactive employees or beneficiaries currently receiving benefit payments	68
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	383
	451

6. **OTHER POST-EMPLOYMENT BENEFITS** (continued)

Total OPEB Liability

The Commission's total OPEB liability of $15,586,651 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2018.

Actuarial Assumptions and other inputs – The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	4.0%, including inflation
Discount rate	3.44% annually (Beginning of Year to Determine ADC)
	4.10% annually (As of End of Year Measurement Date)
Healthcare cost trend rates	5.5% annually

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of December 31, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of ongoing evaluations of the assumptions from January 1, 2009 to December 31, 2018.

Changes in the Total OPEB Liability

Balance at December 31, 2017	$ 16,491,080
Changes for the year:	
Service cost	316,964
Interest	555,448
Differences between expected and actual experience	434,321
Changes in assumptions	(1,522,473)
Benefit payments and net transfers	(688,689)
Net changes	(904,429)
Balance at December 31, 2018	$ 15,586,651

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.10%) or 1-percentage-point higher (5.10%) than the current discount rate:

	1.0% Decrease (3.10%)	**Current Rate (4.10%)**	**1.0% Increase (5.10%)**
Total OPEB Liability	$ 18,092,136	$ 15,586,651	$ 13,551,489

6. **OTHER POST-EMPLOYMENT BENEFITS** (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates – The following presents the total OPEB liability of the Commission, as well as what the Commission's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

	1.0% Decrease (4.5%)	**Current Rate (5.5%)**	**1.0% Increase (6.5%)**
Total OPEB Liability	$ 13,519,469	$ 15,586,651	$ 18,099,448

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Commission recognized OPEB expense of $799,869. At December 31, 2018, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 405,366	$ -
Changes in assumptions	-	(1,420,975)
Total	$ 405,366	$ (1,420,975)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Years ending December 31,:	
2019	$ (72,543)
2020	(72,543)
2021	(72,543)
2022	(72,543)
2023	(72,543)
2024-2028	(362,715)
Thereafter	(290,179)
	$ (1,015,609)

7. LONG-TERM LIABILITIES

The following is a summary of the changes in general long-term obligations for the year ended December 31, 2018:

	Beginning of Year Balance	Additions	Deductions	End of Year Balance
Tax revenue bonds	$ 32,795,000	$ -	$ 3,800,000	$ 28,995,000
Lease debt	-	451,210	50,751	400,459
Compensated absences payable	3,105,336	1,241,701	1,127,624	3,219,413
Claims payable	2,090,000	4,658,815	4,823,815	1,925,000
	$ 37,990,336	$ 6,351,726	$ 9,802,190	$ 34,539,872

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of December 31, 2018:

	Current	Long-Term
Tax revenue bonds	$ 3,885,000	$ 25,110,000
Lease debt	105,800	294,659
Compensated absences payable	1,000,000	2,219,413
Claims payable	925,000	1,000,000
	$ 5,915,800	$ 28,624,072

The above liabilities will be liquidated through the following funds: tax revenue bonds – debt service fund; compensated absences, net pension liability and other post employment obligation – general fund; and claims payable – internal service funds.

As of the beginning of 2012, the Commission's bonds payable included Series 2005 Tax Revenue Bonds, originally issued for $45,000,000 and secured by a pledge and dedication of a 3.253 mill property tax approved pursuant to the Imagine Your Parks Program. In August, 2012 the Commission issued $31,190,000 of taxable refunding bonds, Series 2012A, for the purpose of advance refunding $27,335,000 of the Series 2005 bonds and paying the costs of issuance. The refunding bonds are due in annual installments through May, 2025 at an interest rate of 2.13%.

The proceeds of the refunding bonds were placed into escrow and invested in risk-free U.S. Government Securities. Accordingly, the refunded portion of the 2005 Tax Revenue Bonds were removed from the Commissions' Statement of Net Position. The Series 2005 bonds held by the Commission and the related advance refunded 2005 bonds were retired during 2015.

In connection with the refunding, the Commission paid an up-front cost that resulted in an accounting loss of $3,001,256 which will be systematically recognized over the life of the refunded bonds as an adjustment to interest expense and which is recognized as deferred outflow on the entity-wide financial statements. As of December 31, 2018, $1,500,629 of the deferred outflow had been amortized to interest expense resulting in a remaining deferred amount on refunding of $1,500,629 carried on the entity-wide statement of net position. Amortization of the loss for 2018 was $233,864.

7. **LONG-TERM LIABILITIES** (continued)

In October 2012, the Commission issued $13,000,000 of Series 2012B Limited Ad Valorem Tax Revenue Bonds for purpose of funding capital improvements in furtherance of the Imagine Your Parks Program which are also secured by a pledge and dedication of the 3.253 mill property tax. The bonds are due in annual installments through May, 2025 at an interest rate of 2.13%.

Bonds outstanding were as follows at December 31, 2018:

	Date of Issue	Original Balance	Ending Balance
Series 2012 A Limited			
Tax Revenue Refunding Bonds 2.13%	08/02/12	$ 31,190,000	$ 21,320,000
Series 2012 B Limited			
Tax Revenue Bonds 2.13%	11/06/12	13,000,000	7,675,000
		$ 44,190,000	$ 28,995,000

Combined debt service requirements for all outstanding bonds are as follows:

Year Ending December 31,	Principal	Interest	Total
2019	3,885,000	576,218	4,461,218
2020	3,970,000	492,563	4,462,563
2021	4,055,000	407,096	4,462,096
2022	4,135,000	319,873	4,454,873
2023	4,230,000	230,786	4,460,786
2024-2025	8,720,000	186,694	8,906,694
	$ 28,995,000	$ 2,213,230	$ 31,208,230

8. **INTERFUND TRANSACTIONS**

Interfund receivable/payable:

	Interfund Receivable	Interfund Payable
General Fund	$ 10,029,855	$ -
Debt Service Fund	4,428,111	-
Enhancement Construction Fund	4,237,942	3,232,897
Capital Improvements Fund	-	2,209,437
Special Revenue Enhancement Fund	-	12,686,304
Internal Services Fund	41,446	608,716
	$ 18,737,354	$ 18,737,354

8. INTERFUND TRANSACTIONS (continued)

Interfund receivables and payables are recorded for the various funds' accrued portion of property taxes that are collected by other funds, and for amounts owed to the general fund as a result of expenditures paid by the general fund that are to be reimbursed by other funds.

Transfers:

	Transfers Out	Transfers In
General Fund	$ 4,217,978	$ 2,088,265
Debt Service Fund	4,458,064	-
Enhancement Construction Fund	5,074,054	-
Special Revenue Enhancement Fund	-	13,750,097
Internal Services Fund	2,088,266	-
	$ 15,838,362	$ 15,838,362

The purpose of interfund transfers is to move property taxes collected by the Special Revenue Enhancement Fund in accordance with the terms of the general bond resolution of the Commission, to provide operating enhancements to the general fund, to provide monies for construction to the Enhancement Construction Fund and to cover required debt service payments.

9. RISK MANAGEMENT

The Commission manages each type of risk individually and to differing degrees of assumed risk, or self-insured risk. Components of the Commission's risk management activities include general liability, unemployment compensation, worker's compensation, employee health, vehicle liability and property damage.

General liability has no insurance policies to serve as stop loss. The Commission is at risk for the full amount of all general liability claims.

Worker's compensation and employee health plan losses are covered by excess insurance policies, and professional administrators are contracted by the Commission to adjust and manage their respective claims. The self-insured retainer for worker's compensation is $650,000 per occurrence, and for employee health is $125,000 per occurrence.

Vehicle liability and property damage are covered by insurance, and the insurance companies are responsible for payment of claims exceeding the deductible. The deductible for vehicle liability is $50,000 per occurrence and for property damage is $250,000 per occurrence. The Commission assumes the high deductibles to have lower insurance premiums.

In accordance with GASB Codification Section C50 – *"Claims and Judgements"* the Commission accounts for and reports risk management activities in the internal service funds using the accrual basis of accounting. Claims paid under the self-insurance risk activities are recorded as expenses. There were no major changes in insurance coverage for the year ended December 31, 2018.

The Commission provides medical insurance benefits to its full-time employees who choose to participate. Employees pay the full cost of additional premiums for plans with higher coverage benefits. Cost to the Commission for employee health benefits in 2018 was $4,251,942.

9. **RISK MANAGEMENT** (continued)

A reconciliation of the unpaid claims liabilities as of December 31, 2018 follows:

	Employee Benefits Fund	Risk Management Fund	Total
Unpaid claims as of January 1, 2018	$ 300,000	$ 1,790,000	$ 2,090,000
Current year claims incurred and changes in estimates	4,251,942	556,873	4,808,815
Claims paid	(4,251,942)	(721,873)	(4,973,815)
Unpaid claims as of December 31, 2018	$ 300,000	$ 1,625,000	$ 1,925,000

The claims liability is shown in the accompanying internal service fund financial statements as:

	Employee Benefits Fund	Risk Management Fund	Total
Short-term	$ 300,000	$ 625,000	$ 925,000
Long-term	-	1,000,000	1,000,000
Total	$ 300,000	$ 1,625,000	$ 1,925,000

10. **GOVERNMENTAL FUND BALANCE**

Details of the fund balance categories at year-end are as follows:

	General Fund	CIP	Debt Service	Enhancement Construction
Nonspendable				
Inventory	$ 440,072	$ -	$ -	$ -
Spendable				
Restricted for:				
Capital Improvements	-	18,675,199	-	-
Debt Service	-	-	4,479,916	-
Committed to:				
Mineral Endowment	1,342,965	-	-	-
Assigned to:				
Strategic Master Plan	8,679,045	-	-	15,089,074
Self-Insurance	1,685,000	-	-	-
Retirement Benefit	15,685,657	-	-	-
Self-Insurance (Health)	300,000	-	-	-
Encumbrances	1,163,129	-	-	-
Working Capital	6,538,000	-	-	-
Emergency Funds and Other	6,638,000	-	-	-
Total Constrained Fund Balance	42,471,868	18,675,199	4,479,916	15,089,074
Unassigned Fund Balances	18,051,884	-	-	-
Total Fund Balance	$ 60,523,752	$ 18,675,199	$ 4,479,916	$ 15,089,074

10. GOVERNMENTAL FUND BALANCE (continued)

The Commission has adopted the following policy related to its General Fund assigned fund balance:

The working capital (assigned) minimum is $6,000,000, with a target of 8.5% of total revenues. That target level resulted in a fund balance target of $6,538,000.

The emergency funds (assigned) minimum limit is $6,000,000 with a target of 8.5% of total revenues. That target level resulted in a fund balance target of $6,538,000.

For unassigned fund balances, the desirable target is 50% of total revenues, yet it will not be allowed to fall below 20% of total revenues. The amount presented on the annual financial report for 2018 is $18,051,884, which equals 23% of total revenue.

Within the policy guidelines above, the Commission has given management the authority to assign fund balance based on intentions for use.

11. LITIGATION AND CLAIMS

In the ordinary course of business, the Commission is a defendant in a number of lawsuits and claims, both asserted and unasserted. Although the outcome of these lawsuits and certain claims is not presently determinable, the Commission's legal counsel intends to vigorously defend these matters so that adverse effects to the Commission are minimized. For most of these matters the resolution will not have a material adverse effect on the financial condition of the Commission. However, for certain matters, if the plaintiff or claimant was successful, the ultimate liability to the commission could be significant. Estimated losses to the Commission are recognized in the Government-Wide Financial Statements and the Risk Management Fund to the extent that they are determined to be probable and estimable. The Commission is completely self-insured with respect to general liability claims, including the aforementioned lawsuits.

12. COMMITMENTS

As of December 31, 2018, the Commission had entered into several contracts for a variety of park renovation projects as part of its "Imagine Your Parks" Program and its Capital Improvements Program. The Commission is obligated for approximately $5,100,000 for completion of those projects.

13. PRIOR PERIOD RESTATEMENT

During 2018 the Commission elected to merge one of its internal service funds (Print Shop) into the General Fund. All balances and activity as of and for the year ended December 31, 2018 are reported in the General Fund in the accompanying financial statements. Additionally, the Commission restated its beginning fund balance for amounts received in prior years as refunds against revenue. As a result of this change and correction, the beginning fund balance for the General Fund was adjusted as follows:

	General Fund
Fund balance, beginning of year, as previously stated	$ 57,659,634
Fund balance from Print-Shop internal service fund	(131,497)
Adjustment to correct prior year revenue	(318,477)
Fund balance, beginning of year, as restated	$ 57,209,660

The Government-Wide financial statements were not affected by the change in funds. See below for adjustment related to correction of prior year revenue.

During 2018 the Commission restated the beginning net position of its Risk Management Fund to correct for an overstatement of the claims liability. The net position was affected as follows:

	Risk Management Fund
Net position, beginning of year, as previously stated	$ (5,095,015)
Restatement for overstatement of auto claim liability	3,710,000
Net positon, beginning of year, as restated	$ (1,385,015)

13. **PRIOR PERIOD RESTATEMENT** (continued)

The government-wide net position was restated for the above as well as the adoption of the Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* as follows:

	Governmental Activities
Net position, beginning of year, as previously stated	$ 173,531,874
Adjust for overstatement of auto claim	3,710,000
Adjustment to correct prior year revenue	(318,477)
Restated balance before cumulative effect of accouting change	176,923,397
Adjust for Other Post-Employment Benefits Liability (See Note 1)	(11,213,838)
Net position, beginning of year, as restated	$ 165,709,559

14. **DEFICIT FUND BALANCE**

A deficit fund balance exists in the Risk Management Fund of $311,782. The deficit is expected to be resolved in the subsequent year through increased premium revenue or transfers from the General Fund.

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE

BATON ROUGE, LOUISIANA

REQUIRED SUPPLEMENTAL INFORMATION – PART II

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources:				
Ad valorem taxes	$ 37,325,329	$ 37,325,329	$ 39,598,367	$ 2,273,038
Recreation activity fees	10,904,194	10,904,194	9,881,753	(1,022,441)
Other	333,100	333,100	1,253,913	920,813
Intergovernmental revenues:				
Revenue sharing	972,000	972,000	1,259,670	287,670
Restricted grants-in-aid	44,900	44,900	959,211	914,311
Total revenues	49,579,523	49,579,523	52,952,914	3,373,391
Expenditures:				
Current:				
Administrative and planning	10,547,378	10,547,378	12,877,267	(2,329,889)
Program activities	40,282,755	40,282,755	35,918,103	4,364,652
Capital outlay	3,569,906	3,569,906	3,424,375	145,531
Total expenditures	54,400,039	54,400,039	52,219,745	2,180,294
Excess (deficiency) of revenues over expenditures	(4,820,516)	(4,820,516)	733,169	5,553,685
Other financing sources (uses):				
Lease proceeds	-	-	451,210	451,210
Operating transfers out	(2,088,266)	(2,088,266)	(2,088,265)	1
Operating transfers in	3,836,060	3,836,060	4,217,978	381,918
Total other financing sources (uses)	1,747,794	1,747,794	2,580,923	833,129
Changes in fund balance	(3,072,722)	(3,072,722)	3,314,092	6,386,814
Fund balances, December 31, 2017, as restated	57,209,660	57,209,660	57,209,660	-
FUND BALANCES, DECEMBER 31, 2018	$ 54,136,938	$ 54,136,938	$ 60,523,752	$ 6,386,814

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

SPECIAL REVENUE ENHANCEMENT FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED DECEMBER 31, 2018

	Special Revenue Enhancement Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Local sources:				
Taxes:				
Ad valorem	$ 13,255,452	$ 13,255,452	$ 14,062,608	$ 807,156
Earnings on investments	42,000	42,000	74,140	32,140
Total revenues	13,297,452	13,297,452	14,136,748	839,296
Expenditures:				
Current:				
Administrative	393,608	393,608	386,651	6,957
Total expenditures	393,608	393,608	386,651	6,957
Excess (deficiency) of revenues over expenditures	12,903,844	12,903,844	13,750,097	846,253
Other financing sources (uses):				
Operating transfers out	(12,903,844)	(12,903,844)	(13,750,097)	(846,253)
Total other financing sources (uses)	(12,903,844)	(12,903,844)	(13,750,097)	(846,253)
Changes in fund balance	-	-	-	-
Fund balances, December 31, 2017	-	-	-	-
FUND BALANCES, DECEMBER 31, 2018	$ -	$ -	$ -	$ -

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS YEAR ENDED DECEMBER 31, 2018

Financial Statement Reporting Date	Measurement Date	Service Cost	Interest	Difference between actual and expected experience	Changes of assumptions	Benefit payments	Net change in Total OPEB Liability	Total OPEB Liability - Beginning	Total OPEB Liability - Ending	Covered Payroll	Total OPEB Liability as a Percentage of Covered Payroll
12/31/2018	12/31/2018	$ 316,964	$ 555,448	$ 434,321	$(1,522,473)	$ (688,689)	$ (904,429)	$ 16,491,080	$ 15,586,651	$16,121,062	96.69%

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

There are no assets accumulated in a trust that meets the criteria of Paragraph 4 of GASB 75 for this OPEB plan.

Changes of assumptions - the discount rate as of 12/31/17 was 3.44% and it changed to 4.10% as of 12/31/18.

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE BATON ROUGE, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY COST-SHARING DEFINED BENEFIT PLAN FOR THE YEARS ENDED DECEMBER 31st (*)

	2018	2017	2016
Employer's Proportion of the Net Pension Liability	12.1652%	12.2059%	11.4766%
Employer's Proportionate Share of the Net Pension Liability	$ 65,136,770	$ 72,533,771	$ 66,194,382
Employer's Covered Payroll	$ 16,700,037	$ 16,360,826	$ 15,911,560
Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	390.0%	443.3%	416.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.80%	64.09%	63.95%

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 the previous fiscal year end of the retirement system.

Changes of assumptions:
The projected salary increases was changed from 3.75% to 3.50%.
The aggregate payroll growth was changed from 5.0% to 2.50%.

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
COST-SHARING DEFINED BENEFIT PLAN
FOR THE YEARS ENDED DECEMBER 31st

	2018	2017	2016
Contractually Required Contribution [1]	$ 6,083,889	$ 5,480,952	$ 5,132,391
Contributions in relation to Contractually Required Contribution [2]	6,083,889	5,480,952	5,132,391
Contribution Deficiency (Excess)	$ -	$ -	$ -
Employer's Covered Payroll [3]	$ 17,142,545	$ 16,700,037	$ 16,360,826
Contributions as a Percentage of Covered Payroll	35.49%	32.82%	31.37%

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

For reference only:

[1] *Employer contribution rate multiplied by employer's covered payroll.*

[2] *Actual employer contributions remitted ot retirement system.*

[3] *Employer's covered payroll amount for the current fiscal year end.*

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE

BATON ROUGE, LOUISIANA

OTHER SUPPLEMENTAL INFORMATION

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO THE HEAD OF COMMISSION
FOR THE YEAR ENDED DECEMBER 31, 2018

Superintendent: Carolyn McKnight

Purpose	Amount
Salary	$ 174,712
Benefits - life insurance	663
Benefits - medical insurance (Commission paid)	8,396
Benefits - retirement system contributions/mandatory	59,617
Car allowance	7,727
Telecommunications	2,226
Dues	1,556
Reimbursements	104
Conference travel	3,596
	$ 258,597

**RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA**

**GENERAL FUND COMBINING SCHEDULE
BALANCE SHEET
DECEMBER 31, 2018**

	General Fund	Enhancement Operating Fund	Eliminations	Total
ASSETS				
Cash and cash equivalents	$ 7,765,250	$ 8,171,423	$ -	$ 15,936,673
Ad valorem taxes receivable	38,474,420	-	-	38,474,420
Due from governments and other	1,781,857	-	-	1,781,857
Inventory	440,072	-	-	440,072
Due from other funds	4,135,980	6,571,165	(677,290)	10,029,855
TOTAL ASSETS	52,597,579	14,742,588	(677,290)	66,662,877
DEFERRED OUTFLOWS	-	-	-	-
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 52,597,579	$ 14,742,588	$ (677,290)	$ 66,662,877
LIABILITIES				
Accounts payable	2,093,312	311,686	-	2,404,998
Accrued expenses payable	1,454,000	4,510	-	1,458,510
Due to other funds	-	677,290	(677,290)	-
TOTAL LIABILITIES	3,547,312	993,486	(677,290)	3,863,508
DEFERRED INFLOWS	2,275,617	-	-	2,275,617
FUND BALANCE				
Nonspendable	440,072	-	-	440,072
Spendable:				
Restricted	-	-	-	-
Committed	1,342,965	-	-	1,342,965
Assigned	32,009,786	8,679,045	-	40,688,831
Unassigned	12,981,827	5,070,057	-	18,051,884
TOTAL FUND BALANCE	46,774,650	13,749,102	-	60,523,752
TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCES	$ 52,597,579	$ 14,742,588	$ (677,290)	$ 66,662,877

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
BATON ROUGE, LOUISIANA

GENERAL FUND COMBINING SCHEDULE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2018

	General Fund	Enhancement Operating Fund	Eliminations	Total
REVENUES				
Local sources:				
Ad valorem taxes	$ 39,598,367	$ -	$ -	$ 39,598,367
Recreation activity fees	9,881,753	-	-	9,881,753
Earnings on investments	602,246	184,970	-	787,216
Donations and miscellaneous	466,697	-	-	466,697
Intergovernmental revenues:				
Revenue sharing	1,259,670	-	-	1,259,670
Restricted grants-in-aid	959,211	-	-	959,211
TOTAL REVENUES	52,767,944	184,970	-	52,952,914
EXPENDITURES				
Current:				
Administrative and planning	11,443,897	1,433,370	-	12,877,267
Maintenance department operation:	11,583,894	-	-	11,583,894
Recreation program operations	12,049,970	-	-	12,049,970
Golf operations	5,627,394	-	-	5,627,394
Zoo operations	5,319,864	-	-	5,319,864
Aquatics and therapeutics	1,129,354	-	-	1,129,354
Flood relief operations	144,369	-	-	144,369
Debt service:				
Lease payment	-	50,751	-	50,751
Lease interest	-	12,507	-	12,507
Capital outlay	1,841,603	1,582,772	-	3,424,375
TOTAL EXPENDITURES	49,140,345	3,079,400	-	52,219,745
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,627,599	(2,894,430)	-	733,169
OTHER FINANCING SOURCES (USES)				
Lease proceeds	-	451,210	-	451,210
Transfers out	(2,088,265)	-	-	(2,088,265)
Transfers in	-	4,217,978	-	4,217,978
TOTAL OTHER FINANCING SOURCES (USES)	(2,088,265)	4,669,188	-	2,580,923
CHANGES IN FUND BALANCE	1,539,334	1,774,758	-	3,314,092
Fund Balance, December 31, 2017, restated	45,235,316	11,974,344	-	57,209,660
Fund Balance, December 31, 2018	$ 46,774,650	$ 13,749,102	$ -	$ 60,523,752

OTHER REPORTS REQUIRED
BY *GOVERNMENT AUDITNG STANDARDS*
and the UNIFORM GUIDANCE

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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*

Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, 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 Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 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 have not been identified. We did identify a deficiency in internal control over financial reporting as described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

Postlethwaite & Netterville

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

Commission's Response to Findings

The Commission's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Commission'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 Commission'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.

Postlethwaite + Netterville

Baton Rouge, Louisiana
June 30, 2019

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Recreation and Park Commission for the Parish of East Baton Rouge's (the Commission) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended December 31, 2018. The Commission's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Commission's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Commission's compliance.

Opinion on Each Major Federal Program

In our opinion, the Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

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Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-002. Our opinion on each major federal program is not modified with respect to this matter.

The Commission's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-002, that we consider to be a significant deficiency.

The Commission's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Postlethwaite + Netterville

Baton Rouge, Louisiana
June 30, 2019

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE
Baton Rouge, Louisiana

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

FEDERAL DEPARTMENT/PASS-THROUGH ENTITY/PROGRAM	FEDERAL CFDA NUMBER	GRANT NUMBER	FEDERAL EXPENDITURES	AMOUNTS PROVIDED TO SUBRECIPIENTS
United States Department of Homeland Security				
Passed Through:				
Governor's Office of Homeland Security and Emergency Preparedness				
FEMA Disaster Relief - Public Assistance	97.036	FEMA-DR-4277	$ 914,667	$ -
Total United States Department of Homeland Security			914,667	-
Total Expenditures			$ 914,667	$ -

See accompanying notes to this schedule.

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – DE MINIMIS COST RATE

During the year ended December 31, 2018, the Commission did not elect to use the 10% de minimis cost rate as covered in §200.414 of the Uniform Guidance.

NOTE C – AMOUNTS PASSED THROUGH TO SUBRECIPIENTS

During the year ended December 31, 2018, the Commission did not pass through any federal funding to subrecipients.

NOTE D – RECONCILIATION TO THE BASIC FINANCIAL STATEMENTS

The federal grant expenditures are reported within the various expenditure categories of the appropriate funds and are not readily distinguishable to the Schedule of Expenditures of Federal Awards. However, revenue is generally recorded for these grants in an amount equal to allowable costs incurred and therefore the following reconciliation to reported federal grant revenue is provided:

Total expenditures per SEFA	$ 914,667
Less costs incurred in prior years And PW obligated in current year	(247,366)
Total expenditures per financial statements	$ 667,301

A. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:

Material weaknesses identified?	No
Significant deficiencies identified?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR §200.516(a)?	Yes

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
97.036	FEMA Disaster Relief – Public Assistance

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? No

RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

B. Financial Statement Findings

2018-001	**Inventory Count Procedures**
Criteria:	Inventory counts should be performed in accordance with the policy adopted by the Commission.
Condition:	The regularly scheduled on-going counts of resale inventory were not conducted during 2018 in accordance with the schedule provided in the policy adopted by the Commission.
Cause:	The Commission has experienced turnover in the inventory area which has prevented the organization from having the necessary time and resources to perform and monitor the counts on a regular basis.
Effect:	If resale inventory counts are performed on a regular basis, proper adjustments can be more readily identified and corrected and accountability measures applied.
Recommendation:	The Commission should take the steps necessary to ensure that resale inventory counts are performed in accordance with policy.
Management's Response & Corrective Plan: (Unaudited)	*See attached Corrective Action Plan.*

C. Findings and Questioned Costs for Federal Awards

United States Department of Homeland Security

97.036 **FEMA Disaster Relief – Public Assistance**

2018-002 **Preparation of Schedule of Expenditures of Federal Awards and Written Policies and Procedures over Federal Grants**

Criteria: The Uniform Guidance Subpart F Section 200.510 requires the preparation of a Schedule of Expenditures of Federal Awards (SEFA) that includes an accurate reporting of federal awards expended based on the terms and conditions of the grants along with the amount of funds disbursed to subrecipients. In order for the SEFA to be prepared accurately and properly report the amounts expended for federal awards, a system of controls should be in existence that includes the timely preparation and review of the amounts reported on the SEFA. Additionally, the Uniform Guidance requires written policies and procedures documenting how the organization determines the allowable costs eligible for reimbursement with federal funds as well as written policies and procedures documenting how the organization complies with the federal procurement standards.

Condition: The Commission did not maintain adequate internal records in order to prepare an accurate and complete reporting of federal awards expended. The Commission does not currently maintain written policies and procedures for determining allowable costs and compliance with procurement requirements.

Questioned Costs: Not applicable.

Cause: The accounting system is not designed to adequately track and record federal program grant expenditures and revenues accurately and with appropriate supporting documentation or reconciliations. As the Commission is relatively new to federal grant funding, written policies and procedures over allowable costs and procurement have not been developed.

Effect: The SEFA provided for audit did not contain the correct amounts of federal expenditures supported by the accounting system. Written policies and procedures over allowable costs and procurement are not available to guide staff responsible for federal expenditures.

Recommendation: We recommend the Commission review its policies and procedures for identifying, recording and tracking federal expenses and implement tools within the accounting system to properly identify in order to prepare an accurate SEFA. We also recommend that the Commission develop written policies and procedures for determining allowable costs and for procurement under the Uniform Guidance.

Management's Response & Corrective Plan: (Unaudited) *See attached Corrective Action Plan.*

2017-001 **Reconciliations of Cash and Accounts Payable**

Criteria: Reconciliation of cash and accounts payable accounts as recorded on the accounting general ledger should be reconciled to the balances reported by banks or other sub-ledgers on a monthly basis.

Condition: Cash accounts as recorded on the accounting general ledger were not completely reconciled to underlying records for a significant portion of 2017. The accounts payable sub-ledger did not reconcile to the accounting general ledger as of December 31, 2017. While we acknowledge that the reconciliation for certain monthly activity in the bank accounts was occurring on an ongoing basis, the ending balance was not reconciled on a monthly basis. This is a repeat finding from the prior period.

Cause: The Commission has experienced difficulties with a new accounting system since its implementation in 2014.

Effect: The general ledger is the basis for producing most financial reports for the Commission. Without complete reconciliation of the general ledger to underlying sub-ledgers and bank statements, those financial reports may be prone to misstatement due to fraud or error.

Recommendation: The Commission should take the steps necessary to ensure that reconciliations of all general ledger cash balances and accounts payable accounts are maintained and reviewed on a monthly basis. Processes around the relatively new accounting system should be revisited.

Management's Response & Corrective Plan: (Unaudited) *BREC did reconcile all key accounts such as interfund accounts, bank accounts and payroll liability accounts through the end of 2017. Currently, key accounts such as bank accounts and interfund accounts are reconciled through May of 2018 and all accounts will be reconciled monthly to either zero or minimal differences. We have updated our processes and controls in areas such as cash handling to improve our reconciliation process and reduce the chance of fraud. BREC has continued to push training for its personnel and update procedures to bring our reconciliation process in line with current practices. We are also working with our finance software vendor to research the accounts payable difference. In addition, there is no indication of fraud or material errors in any of the accounts.*

Current Status: Resolved.

2017-002 **Reconciliation of Inventory & Inventory Count Procedures**

Criteria: Reconciliation of inventory as recorded on the accounting general ledger should be reconciled to the balances reported on the inventory sub-ledgers on a monthly basis. Additionally, inventory counts should be performed in accordance with the policy adopted by the Commission.

Condition: The resale inventory sub-ledger quantities at year-end used to record the balance in the general ledger did not agree to the physical counts performed. Additionally, the regularly scheduled on-going counts of resale inventory were not conducted during 2017 in accordance with the schedule provided in the policy adopted by the Commission.

Cause: The Commission has experienced difficulties with a new accounting system since its implementation in 2014.

Effect: The general ledger is the basis for producing most financial reports for the Commission. Without reconciliation of the general ledger to underlying sub-ledgers (adjusted for physical inventory counts) those financial reports may be prone to misstatement due to fraud or error. If resale inventory counts are performed on a regular basis, proper adjustments can be more readily identified and corrected and accountability measures applied.

Recommendation: The Commission should take the steps necessary to ensure that reconciliations of inventory accounts are maintained and reviewed on a monthly basis. Processes around the relatively new accounting system should be revisited. Additionally, the Commission should ensure that resale inventory counts are performed in accordance with policy.

Management's Response & Corrective Plan: (Unaudited) *BREC will ensure that inventory is counted on a more frequent basis in accordance with Commission approved policy. BREC experienced problems with its point of sale (POS) system in late 2017 that affected the reporting of the year end counts and values. We continue to work with the software vendor to research and eliminate the reporting issues. There is no indication that fraud or misappropriation is the cause of the count issue.*

Current Status: Partially resolved. See item 2018-001.

CORRECTIVE ACTION PLAN

FINANCIAL STATEMENT AUDIT MANAGEMENT LETTER RESPONSES

DECEMBER 31, 2018

2018-001 - Inventory Count Procedures

Management's Response & Corrective Plan: BREC recently devoted additional resources to address this finding by hiring an Inventory Clerk that will oversee the process for resale inventory counts and ensure that they are conducted in accordance with the policy.

2018-002 - Preparation of Schedule of Expenditures of Federal Awards and Written Policies and Procedures

Management's Response & Corrective Plan: BREC administrative staff will review its current policies and procedures to ensure that language specific to identifying, recording and tracking federal expenses is inserted as well as implement and/or utilize tools within its accounting system to properly identify and account for federal awards that will enable the agency to prepare an accurate SEFA. BREC's policies and procedures will include language mandating adherence to the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards hereinafter referred to as the Uniform Guidance, established by the Federal Office of Management and Budget and codified in Title 2 U.S. Code of Federal Regulations, Part 200 as well as the Procurement Standards contained in Subpart D of the Uniform Guidance.

RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE

REPORT ON STATEWIDE AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL AREAS

FOR THE YEAR ENDED DECEMBER 31, 2018

P&N

Postlethwaite & Netterville

A Professional Accounting Corporation

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RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE

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A Professional Accounting Corporation

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Recreation and Park Commission
for the Parish of East Baton Rouge and
the Louisiana Legislative Auditor:

We have performed the procedures enumerated in Schedule A, which were agreed to by the Recreation and Park Commission for the Parish of East Baton Rouge (the Entity) and the Louisiana Legislative Auditor (LLA) (specified users) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity'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 in the attached Schedule A either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

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

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

Postlethwaite + Netterville

Baton Rouge, Louisiana
June 30, 2019

Schedule A

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted"*. If not, then a description of the exception ensues. Additionally, certain procedures listed below may not have been performed in accordance with guidance provided by the Louisiana Legislative Auditor, the specified user of the report. For those procedures, "procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity" is indicated.

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.

      No exceptions noted.

   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.

      No exceptions noted.

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

      No exceptions noted.

   d) ***Receipts***, 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 confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

      No exceptions noted.

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

      No exceptions noted.

   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.

      No exceptions noted.

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 of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

No exceptions noted.

h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

No exceptions noted.

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.

No exceptions noted.

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

The Entity does not have a written policy for Debt Service.

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.

No exceptions noted.

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. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

No exceptions noted.

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.

No exceptions noted.

Bank Reconciliations

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

A listing of bank accounts was provided and included a total of 18 bank accounts. Management identified the entity's main operating account. No exceptions were noted as a result of performing this procedure.

From the listing provided, we selected 5 bank accounts (1 main operating and 4 randomly) and obtained the bank reconciliations for the month ending July 31, 2018, resulting in 5 bank reconciliations obtained and subjected to the below procedures.

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);

No exceptions noted.

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

No exceptions noted.

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.

Of the 5 bank accounts selected, 1 bank reconciliation had reconciling items that have been outstanding for more than 12 months. There was no documentation evidencing that these reconciling items were researched for proper disposition.

Ethics

20. Using the 5 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.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

Debt Service

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

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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.

    Procedure was not performed due to no exceptions occurring for this procedure in the prior year or the existence of mitigating internal controls as asserted by the entity.

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.

    A listing of misappropriations of public funds and assets during the fiscal period was provided. No exceptions were noted as a result of performing this procedure.

24. Observe that 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.

    No exceptions noted.

CORRECTIVE ACTION PLAN

STATEWIDE AGREED-UPON PROCEDURES

DECEMBER 31, 2018

Schedule B

1(j): Written Policies and Procedures for Debt Service

Management's Response & Corrective Plan: BREC will develop a policy for Debt Service that will address 1) debt issuance, 2) continuing disclosure/EMMA reporting requirements, 3) debt reserve requirements, and 4) debt service requirements.

3(c): Outstanding Bank Reconciliation Documentation

Management's Response & Corrective Plan: Although the process is listed on the Finance Department's month-end processing checklist, the agency will provide documented procedures to ensure that the issue of outstanding items is addressed regularly.

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RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE

REPORT ON STATEWIDE AGREED-UPON PROCEDURES on COMPLIANCE and CONTROL AREAS

FOR THE YEAR ENDED DECEMBER 31, 2018

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RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE
AGREED-UPON PROCEDURES PERFORMED AND ASSOCIATED FINDINGS
DECEMBER 31, 2018

INTERNAL PROCESS REVIEWER'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana

I have performed the portion of the procedures enumerated in Schedule A, which were agreed to by the Recreation and Park Commission for the Parish of East Baton Rouge (the Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Entity's management is responsible for those C/C areas identified in the SAUPs.

The procedures we performed and the associated findings are summarized in the attached Schedule A, which is an integral part of this report.

I was 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, I do not express such an opinion or conclusion. Had I performed additional procedures, other matters might have come to my 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.

Baton Rouge, Louisiana
June 28, 2018

K. Andria Roberts

The procedures performed and the results thereof are set forth below. The procedure is stated first, followed by the results of the procedure presented in italics. If the item being subjected to the procedures is positively identified or present, then the results will read *"no exception noted"*. If not, then a description of the exception ensues.

Written Policies and Procedures

1. Not performed by BREC Internal Process Review.

Board (or Finance Committee, if applicable)

2. Not performed by BREC Internal Process Review.

Bank Reconciliations

3. Not performed by BREC Internal Process Review.

Collections

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/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).

A list of deposit sites for the fiscal period was obtained, and management confirmed that the list was complete. Five deposit sites were randomly selected from the list.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one 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 that 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.

Due to limited resources, there are employees who share cash drawers/registers at each of the five selected collection locations. The cash handling process is being carefully monitored to mitigate the associated risks. Each employee has their own username and password in the Rec Trac system. Supervisors review printed documents, daily, to ensure that employees aren't sharing credentials. In addition, cameras have been installed at the various sites to increase the monitoring.

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.

No exceptions noted.

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

No exceptions noted.

d) The employee(s) 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.

No exceptions noted.

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

No exceptions noted.

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 on the same day) 10. Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc. Obtain supporting documentation for each of the 10 deposits and:

System generated cash journal reports, bank deposit slips, and bank statements were provided for the deposits made on 2 randomly selected dates for 5 cash/check collection locations. A total of 159 transactions, identified by pre-numbered receipts, were traced from cash journal reports to bank deposit slips. The deposit slip totals were then traced to monthly bank statements. The deposits, per the statement, were then traced to the general ledger.

a) Observe that receipts are sequentially pre-numbered.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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).

Deposits for two of the selected deposit dates, both from the same location, were noted as exceptions. However, both were deposited within one week of the collections.

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

No exceptions noted.

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

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).

As confirmed by management, the BREC Finance Department, located in the BREC Administrative Office, is the only location that processes disbursements.

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

A listing of employees involved with non-payroll purchasing and payment functions was obtained from management.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

A complete non-payroll disbursement transaction population (excluding cards and travel reimbursements) was obtained from management. Of this population there were 5 randomly selected disbursements used for testing and there is supporting documentation for each.

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

No exceptions noted.

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

No exceptions noted for 9a – 9c. For 9d, while there are processes in place, there was no physical evidence to confirm that the employee who mailed selected payments was not the same employee who processed the payments (refer to 9d).

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

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

A listing of active credit cards, bank debit cards, fuel cards, and P-cards, for the fiscal period, was obtained, and management confirmed that the list was complete.

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:

Four purchase cards and one fuel card were selected for testing, and one monthly statement for each card was selected.

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 excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

No exceptions noted.

b) Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

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, observe 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).

A sample of 10 transactions, from the 4 p-cards, were tested, as one sampled card for #12 was a fuel card. No exceptions noted.

Travel and Expense Reimbursement

14. Not tested for 2018 due to having no exceptions in 2017 in this area.

Contracts

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

A listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated during the fiscal period was obtained, and management confirmed that that list was complete. Five contracts were randomly selected for testing.

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.

No exceptions noted.

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

No exceptions noted.

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

No exceptions noted.

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

One payment from each of the contracts was selected and tested. No exceptions were noted.

Payroll and Personnel

16. Not tested for 2018 due to having no exceptions in 2017 in this area.

17. Not tested for 2018 due to having no exceptions in 2017 in this area.

18. Not tested for 2018 due to having no exceptions in 2017 in this area.

19. Not tested for 2018 due to having no exceptions in 2017 in this area.

Ethics (excluding nonprofits)

20. Not performed by BREC Internal Process Review.

Debt Service

21. Not performed by BREC Internal Process Review.

22. Not performed by BREC Internal Process Review.

Other

23. Not performed by BREC Internal Process Review.

24. Not performed by BREC Internal Process Review.

25. Not performed by BREC Internal Process Review.

Recreation and Park Commission for The Parish of East Baton Rouge

CORRECTIVE ACTION PLAN

STATEWIDE AGREED-UPON PROCEDURES
(Performed by Internal Auditor)

DECEMBER 31, 2018

7(d): Timely Deposit of Collections

Management's Response & Corrective Plan: BREC administrative staff will review its current policies and procedures to ensure that employees are trained in the timely deposit of collected revenue. In addition, Finance Revenue staff will continue to conduct random site visits to enforce and test compliance with established policies and procedures. BREC's Internal Audit division has also recently filled a position for a Compliance Tester who will also conduct random site audits of compliance with internal cash controls, including deposits.

10(b): Disbursement Documentation

Management's Response & Corrective Plan: BREC administrative staff will develop a log to document which A/P staff person mails the checks during each A/P cycle.

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RECREATION AND PARK COMMISSION FOR THE PARISH OF EAST BATON ROUGE

REPORT TO MANAGEMENT

DECEMBER 31, 2018

Postlethwaite & Netterville
A Professional Accounting Corporation
www.pncpa.com

<u>RECREATION AND PARK COMMISSION FOR
THE PARISH OF EAST BATON ROUGE</u>

<u>REPORT TO MANAGEMENT</u>

<u>DECEMBER 31, 2018</u>

P&N
Postlethwaite & Netterville

8550 United Plaza Blvd., Ste. 1001 - Baton Rouge, LA 70809
225-922-4600 Phone - 225-922-4611 Fax - pncpa.com

A Professional Accounting Corporation

June 30, 2019

Members of the Commission and Management
Recreation and Park Commission for the Parish of East Baton Rouge
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the Recreation and Park Commission for the Parish of East Baton Rouge (the Commission or BREC) for the year ended December 31, 2018, we considered the Commission's internal controls over financial reporting and compliance with laws and regulations having a material effect on financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements. Our consideration does not provide assurance on the internal control structure or on compliance.

However, during our audit, we became aware of the following matters that represent opportunities for improving financial reporting, refining policies and procedures and enhancing compliance with laws and regulations. The following paragraphs summarize our comments and suggestions regarding those matters. This letter does not affect our report dated June 30, 2019 on the financial statements of the Commission.

A. Settlement of Interfund Accounts

Condition:
The Commission, as do most governments, utilizes several interfund general ledger accounts to track balances due between its various accounting funds. We noted that the settlement of these accounts is not being performed on a regular basis.

Recommendation:
We recommend the Commission adopt procedures to ensure that, on a periodic basis, the amounts due between the funds are being settled.

Management's Response: See attached Corrective Action Plan

B. Theft of Public Assets

Condition:
Louisiana Revised Statute 14:67 defines theft as the misappropriation or taking anything of economic value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. Four instances, or likely instances, of misappropriation were identified by Commission staff and are described in Attachment A. The four instances were reported to the Legislative Auditor. The instances were detected by BREC personnel through BREC's internal controls.

Recommendation:
We commend BREC's staff and its internal control process for detecting these instances and for taking corrective action. However, BREC should remind its employees of the proper procedures and their ethical responsibilities as public servants. We recommend the Commission continue its prosecution and\or pursuit of these matters and that the internal controls be reviewed and potentially revised to deter such instances from occurring in the future.

Management's Response: See attached Corrective Action Plan

C. Review of Large Checks Prior to Issuance

Condition:
During our review of disbursement procedures, it was noted that a separate review of large dollar checks is not currently required. Best practices provide that there should be a separate review of large checks to ensure they are appropriate and in accordance with the policies and needs of the organization.

Recommendation:
We recommend that the Commission review its current internal control procedures over the issuance of large checks. Consideration should be given to setting a threshold above which an appropriate member of management will review these checks prior to issuance.

Management's Response: See attached Corrective Action Plan

D. Gift Card Reconciliation

Condition:
Gift cards provide a source of revenue for the Commission and avenue to offer future benefits or services to the public on a prepaid basis. It is important that the Commission accurately track the number of cards issued and their respective balances on a regular basis. During our audit, it was noted that an accurate listing of the gift cards and their balances is not being produced and reviewed, and the accounting records updated on a regular basis.

Recommendation:
It is recommended that internal controls and procedures be implemented to ensure that an accurate listing of the gift cards and their balances is produced and reviewed, and the accounting records updated on a regular basis.

Management's Response: See attached Corrective Action Plan

E. Identification of Construction Projects and Capital Project Budgeting

Condition:

For proper financial reporting, it is important that the organization appropriately identify each of the major components of its construction projects, ensure the appropriate useful lives are assigned to each component and ensure that all project costs are captured and capitalized. General construction costs should be appropriately allocated to individual projects and their related components for capitalization. Additionally, recommended practice for capital project and program management calls for development of project budgeting over the anticipated life of projects, and reporting of actual life to date expenditures towards the budget.

Recommendation:

It is recommended that internal controls and procedures be implemented to ensure that the major components of construction projects are appropriately captured and capitalized. It is also recommended that the organization consider preparing and maintaining a capital project budget by project on a life-to-date basis and report actual expenditures toward those projects on an on- going basis.

Management's Response: See attached Corrective Action Plan

P&N
Postlethwaite & Netterville

F. **Accounting for the Collection and Remittance of Sales Taxes**

Condition:

During our audit some discrepancies were noted between the sales taxes collected and remitted. These discrepancies resulted in an overpayment of sales taxes.

Recommendation:

It is recommended that the Commission review its internal controls, processes and systems utilized for the tracking, recording and reporting of sales tax collections. Appropriate procedures should be implemented to ensure that the taxes are appropriately captured and remitted in accordance with Louisiana State Law and local ordinances.

Management's Response: See attached Corrective Action Plan

We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience. We would also welcome any opportunity to perform any additional study of these matters or to assist you in implementing the recommendations. We would also like to thank the Commission staff for their cooperation with us during the performance of the audit.

This report is intended solely for the information and use of the Commission and its management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Postlethwaite + Netterville

Status or Prior Management Letter Comments

A. Information Technology Systems User Access

Condition:
During the review of certain processes and controls over information technology, it was noted that there appears to be a number of active and inactive user accounts identified as having access to record journal entries and change payroll data.

Recommendation:
A review of user access accounts should be performed to ensure that only those active users whose job function requires access to record journal entries and/or modify payroll data is present.

Management's Response:
BREC is already in the process of reviewing user account access with the goal of significantly improving the segregation of access user accounts have. In addition, BREC will research the inactive user accounts to either eliminate the account or at least remove the permissions for the account. BREC has significantly improved the process of granting access permissions to users as well.

Current Status:

Resolved.

B. Settlement of Interfund Accounts

Condition:
The Commission, as do most governments, utilizes several interfund general ledger accounts to track balances due between its various accounting funds. We noted that the balancing of these accounts is not being performed monthly and the amounts owed to and from are not settled.

Recommendation:
The interfund accounts should be regularly reconciled and settled. We recommend the Commission adopt procedures to ensure these accounts are reconciled on a monthly basis to ensure that all of the accounts balance. Additionally, on a periodic basis the amounts due between the funds should be settled.

Management's Response:
BREC will adopt a more stringent procedure for reconciling the accounts in a timely fashion and settling the accounts on a monthly but no less than quarterly basis.

Current Status:

Not resolved. Comment is repeated within the current year's letter.

C. Theft of Public Assets

Condition:
Louisiana Revised Statute 14:67 defines theft as the misappropriation or taking anything of economic value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. Four instances, or likely instances, of misappropriation were identified by Commission staff and are described in Attachment A. Three of the four were reported to the Legislative Auditor. The instances were detected by BREC personnel through BREC's internal controls.

Recommendation:
We commend BREC's staff and its internal control process for detecting these instances and for taking corrective action. However, BREC should remind its employees of the proper procedures and their ethical responsibilities as public servants. We recommend the Commission continue its prosecution and\or pursuit of these matters and that the internal controls be reviewed and potentially revised to deter such instances from occurring in the future. Also, management should ensure that all instances or likely instances of misappropriation are reported to the Legislative Auditor and District Attorney.

Management's Response
Management continues to require ethics training for all employees in accordance with state law. BREC has improved internal controls over the last year and intends to continue that process in order to minimize opportunities for loss or theft.

Current Status:

Resolved

D. Segregation of Duties over Accounts Payable

Condition:
During review of disbursement procedures, it was noted that the Accounts Payable Clerk has the ability to set up vendors in the accounts payable system. Best practices provide that there be a segregation of duties between the person responsible for processing accounts payable and the person responsible for setting up vendors. Also, it was noted that once accounts payable checks are reviewed they are returned to the Accounts Payable Clerk for mailing. Best practice is to have someone separate from the accounts payable function mail the checks after final review and approval.

Recommendation:
Proper procedures and controls should be implemented to ensure that the Accounts Payable Clerk does not have the ability to set up vendors in the accounts payable system. Additionally, once the accounts payable checks are reviewed, they should be returned to someone other than the Accounts Payable Clerk for mailing.

Management's Response
BREC agrees with the review of segregation of duties and had begun a process to review and improve segregation of duties at the end of 2017 prior to the audit beginning.

Current Status:

Resolved

The following 18 elements of the instances of misappropriation are presented below:

	Element of Comment	Misappropriation #1 (Print Shop)	Misappropriation #2 (Oak Villa)	Misappropriation #3 (Farr Park)	Misappropriation #4 (Damaged Portable Shed)
1	A general statement describing the fraud or misappropriation that occurred.	Employee was suspected to have been using print shop assets for personal gain.	Equipment was stolen from a truck and strorage area	Employee created reversal transaction in RecTrac revenue system to adjust customer's balance from $448 to zero without a payment applied in RecTrac system.	A damaged portable shed was brought home by one of BREC's employees. The employee was given approval by his manager to take the shed home.
2	A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).	Employee was likely using print shop assets for personal gain (e.g. running a "side business" using BREC assets)	1 vehicle jack, 2 string trimmers, 2 backpack blowers and 1 stick edger	Cash receipts	Damaged portable shed
3	The amount of funds or approximate value of assets involved.	Unknown	~$650	$448.00	Purchase price of shed was less than $1,000.00, and the shed was damaged and ready for disposal.
4	The department or office in which the fraud or misappropriation occurred.	Print Shop	Oak Villa Park	Farr Park Equestrian Center	Bluebonnet Swamp Nature Center
5	The period of time over which the fraud or misappropriation occurred.	Potentially occurred from June 2017 - March 2018, discovered in May 2018	7/29/2018	9/17/2018	9/12/2018
6	The title/agency affiliation of the person who committed or is believed to have committed the act of fraud or misappropriation.	Print Shop part-time employee	Unknown	Farr Park Equestrian Center - Guest Services Coordinator	Maintenance full-time employee
7	The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated.	Formal charges were not brought against them employee since hard evidence was not found.	Unknown	Guest Services Coordinator	Formal Charges were not brought against the employee, as the asset had no value and BREC's policy did not expressly prohibit employees from taking ownership of damaged property with no value.
8	Is the person who committed or is believed to have committed the act of fraud still employed by the agency?	No, he was terminated for insubordination as a result of the findings but denied allegations of theft	A suspect was never identified	No	Yes
9	If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?	N/A	A suspect was never identified	N/A	Yes, but BREC does not belive the employee intentionally stole anything. The shed was going to be salvaged.
10	Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?	Yes	Yes	Yes	Yes
11	What is the status of the investigation at the date of the auditor's/accountant's report?	Closed	Closed	Closed	The internal investigation is complete through BREC's Internal Audit department, and no report was filed with the police.
12	If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against that person?	Formal charges were not brought against them employee since hard evidence was not found.	A suspect was never identified	Yes, the employee was charged with misdemeanor theft through the Sheriff's department	No
13	What is the status of any related adjudication at the date of the auditor's/accountant's report?	N/A	N/A	Closed; the former employee has paid BREC full restitution through the District Attorney's office.	N/A
14	Has restitution been made or has an insurance claim been filed?	No	No	Yes, full restitution has been paid through the DA's office.	The shed was returned to BREC.
15	Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)	Yes	Yes	Yes	Yes
16	Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?	No	Yes	No	No
17	If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner.	Besides documented roles and responsibilities for print shop employees, there were no documented procedures for processing print jobs. A record of inventory was also not being kept, and inventory orders were determined based on physical observations of inventory in relation to business as usual and upcoming orders.	N/A	There was no process in place for management to monitor outstanding balances on customer accounts to follow up on those balances. Employees were also found to have unnecessary system permissions to process transaction refunds and reversals, but there were no system controls in place to require managers to approve the transactions nor procedures in place to require oversight of refunds and reversals by management.	Policies and procedures related to moveable property were outdated, and Louisiana state laws, which prohibit political subdivisions from donating any property or thing of value to any person or entity and which prohibit public employees from entering into transactions under their supervision, were not adequately addressed within those policies.
18	Management's plan to ensure that the fraud or misappropriation does not occur in the future	New software has been purchased and is currently being implemented, and new procedures are being written which coincide with the software usage. The new software will provide for more structured and documented print shop procedures, which include required controls to document and monitor print orders and to record and monitor inventory.	N/A	Strengthened controls regarding customer refunds and customer account balances would help prevent or detect potential theft in a more timely manner.	Update policies and procedures related to moveable assets, incorporating applicable state laws.

CORRECTIVE ACTION PLAN

FINANCIAL STATEMENT AUDIT MANAGEMENT LETTER RESPONSES

DECEMBER 31, 2018

A. Settlement of Interfund Accounts

Management's Response & Corrective Plan: BREC administrative staff will develop a system to ensure that, on a periodic basis, the amounts due between the funds are being settled. The agency is currently in the process of implementing a new ERP system which will be utilized to establish an electronic settlement of the funds.

B. **Theft of Public Assets**

Management's Response & Corrective Plan: BREC will continue to develop its internal control processes for detecting instances of theft and corrective actions to deter such instances from occurring in the future inclusive of updating its employees on proper procedures and their ethical responsibilities as public servants to deter. In addition, BREC will continue its prosecution and\or pursuit of these matters.

C. **Review of Large Checks Prior to Issuance**

Management's Response & Corrective Plan: BREC will review its current internal control procedures to develop a system to identify and isolate large checks that are over a pre-established threshold prior to issuance so that another level of review may be performed by an appropriate member of management.

D. **Gift Card Reconciliation**

Management's Response & Corrective Plan: BREC administrative staff will review its current internal controls and procedures to ensure that an accurate listing of the gift cards and their balances can be produced and review, and its accounting records be updated on a regular basis.

E. **Identification of Construction Projects and Capital Project Budgeting**

Management's Response & Corrective Plan: BREC administrative staff will review its current internal controls and procedures to ensure that major components of construction projects are appropriately captured and capitalized. In addition, BREC will consider preparing and maintaining a budget by project on a life-to-date basis.

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F. Accounting for Collection and Remittance of Sales Taxes

Management's Response & Corrective Plan: BREC administrative staff will continue the process of upgrading its POS system and ERP system which are utilized for the tracking, recording and reporting of sales tax collections. As part of upgrading and implementing its POS and ERP systems, appropriate procedures will be developed to ensure that sales taxes are appropriately collected and remitted in accordance with Louisiana State Law.