

**PONCHATOULA AREA RECREATION DISTRICT NO. 1  
PONCHATOULA, LOUISIANA**

**ANNUAL FINANCIAL STATEMENTS**

**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011**

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
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As of and for the Year Ended December 31, 2011

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# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
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June 4, 2012

## Independent Auditor's Report

Dr. William Wheat, Chairman  
and Members of the Board of Commissioners  
Ponchatoula Area Recreation District No. 1  
Ponchatoula, LA 70454

We have audited the accompanying financial statements of the governmental activities and each major fund of Ponchatoula Area Recreation District No. 1 as of and for the year ended December 31, 2011, which collectively comprise Ponchatoula Area Recreation District No. 1's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Ponchatoula Area Recreation District No. 1's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Ponchatoula Area Recreation District No. 1 as of December 31, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2012, on our consideration of Ponchatoula Area Recreation District No. 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 23 through 24 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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Durnin & James, CPAs".

Durnin & James, CPAs  
(A Professional Corporation)

## **Basic Financial Statements**

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Statement of Net Assets  
December 31, 2011

Exhibit A

	<u>Governmental Activities</u>
<i>Assets</i>	
Cash and Cash Equivalents	\$ 420,953
Investments	52,042
Accounts Receivable, Net	1,620,919
Prepaid Insurance	4,658
Restricted Assets:	
Cash and Cash Equivalents	2,153
Cash Held in Trust	822,541
Capital Assets, Net of Accumulated Depreciation	9,164,484
Unamortized Bond Discount	89,698
Bond Issuance Costs, Net	93,015
Total Assets	<u>\$ 12,270,463</u>
<i>Liabilities</i>	
Accounts Payable	\$ 15,729
Accrued Payroll	1,937
Payroll Taxes Payable	5,281
Sheriff's Pension Payable	60,392
Accrued Interest Payable	19,744
Long-Term Debt - Current	349,150
Long-Term Debt - Non-Current	5,311,600
Total Liabilities	<u>\$ 5,763,833</u>
<i>Net Assets</i>	
Invested in Capital Assets, Net of Related Debt	\$ 3,503,734
Restricted For:	
Capital Projects	822,541
Debt Service	589,982
Unrestricted	1,590,373
Total Net Assets	<u>\$ 6,506,630</u>

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Statement of Activities  
For the Year Ended December 31, 2011

Exhibit B

	Expenses	Program Revenues		Net Revenue (Expense) & Changes in Net Assets
		Charges for Services	Capital Grants	Governmental Activities
<b>Governmental Activities:</b>				
Parks and Recreation	\$ 511,795	\$ -	\$ -	\$ (511,795)
Depreciation	113,396	-	-	(113,396)
Amortization of Bond Issuance Costs	6,713	-	-	(6,713)
Interest on Debt Service	247,402	-	-	(247,402)
Total Governmental Activities	\$ 879,306	\$ -	\$ -	(879,306)
 <b>General Revenues:</b>				
Ad Valorem Taxes				1,519,172
State Revenue Sharing				106,595
Other Income				28,621
Total General Revenues				1,654,388
 Change in Net Assets				 775,082
 <b>Net Assets - Beginning of the Year</b>				 5,731,548
<b>Net Assets - End of the Year</b>				\$ 6,506,630

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**

Exhibit C

**Ponchatoula, Louisiana**

Governmental Funds Balance Sheet

December 31, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>4-Mill Gymnasium Fund</u>	<u>Total</u>
<i>Assets</i>				
Cash and Cash Equivalents	\$ 375,563	\$ -	\$ 45,390	\$ 420,953
Investments	52,042	-	-	52,042
Accounts Receivable, Net	1,202,187	-	418,732	1,620,919
Restricted Assets:				
Cash and Cash Equivalents	-	2,153	-	2,153
Cash Held in Trust	822,541	-	-	822,541
Total Assets	<u>\$ 2,452,333</u>	<u>\$ 2,153</u>	<u>\$ 464,122</u>	<u>\$ 2,918,608</u>
 <i>Liabilities and Fund Balances</i>				
Liabilities:				
Accounts Payable	\$ 15,729	\$ -	\$ -	\$ 15,729
Accrued Payroll	1,937	-	-	1,937
Payroll Taxes Payable	5,281	-	-	5,281
Pension Fund Mandate Payable	43,137	-	17,255	60,392
Total Liabilities	<u>66,084</u>	<u>-</u>	<u>17,255</u>	<u>83,339</u>
 Fund Balances:				
Restricted for Capital Construction	822,541	-	-	822,541
Restricted for Debt Service	140,962	2,153	446,867	589,982
Unassigned	1,422,746	-	-	1,422,746
Total Fund Balances	<u>2,386,249</u>	<u>2,153</u>	<u>446,867</u>	<u>2,835,269</u>
Total Liabilities and Fund Balances	<u>\$ 2,452,333</u>	<u>\$ 2,153</u>	<u>\$ 464,122</u>	<u>\$ 2,918,608</u>

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**

Exhibit D

**Ponchatoula, Louisiana**

Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Assets  
For the Year Ended December 31, 2011

**Total Fund Balances, Governmental Funds (Exhibit C)** \$ 2,835,269

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

Governmental Capital Assets, Net of Depreciation at December 31, 2011 9,164,484

Prepaid Insurance at December 31, 2011 4,658

Governmental funds report bond issuance costs as expenditures. However, in the statement of net assets, bond issuance costs are amortized over the life of the bond and are reported as amortization expense. This is the amount of unamortized bond issuance costs. 93,015

In the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditures is reported when due. (19,744)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:

Current (Short-Term) Obligations:

Certificates of Indebtedness (14,150)

Revenue Bonds (335,000)

Non-Current (Long-Term) Obligations:

Certificates of Indebtedness (56,600)

Revenue Bonds (5,255,000)

Unamortized Bond Discount 89,698

**Net Assets of Governmental Activities (Exhibit A)** \$ 6,506,630

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**

Exhibit E

**Ponchatoula, Louisiana**

Statement of Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balances

For the Year Ended December 31, 2011

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>4-Mill Gymnasium Fund</u>	<u>Total</u>
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 1,085,123	\$ -	\$ 434,049	\$ 1,519,172
State Revenue Sharing	106,595	-	-	106,595
Other Income	28,618	3	-	28,621
Total Revenues	<u>1,220,336</u>	<u>3</u>	<u>434,049</u>	<u>1,654,388</u>
<b>Expenditures:</b>				
Parks and Recreation:				
Salaries and Related Benefits	218,432	-	-	218,432
Legal & Professional	14,296	-	-	14,296
Repairs & Maintenance	86,910	-	-	86,910
Telephone & Utilities	50,919	-	-	50,919
Office Expenses	20,478	-	3,145	23,623
Insurance	42,140	-	-	42,140
Pension Fund Mandate	43,137	-	17,255	60,392
Other	16,118	-	-	16,118
Capital Outlay	1,836,401	-	-	1,836,401
Debt Service	-	18,013	569,183	587,196
Total Expenditures	<u>2,328,831</u>	<u>18,013</u>	<u>589,583</u>	<u>2,936,427</u>
Excess of Revenues over Expenditures	(1,108,495)	(18,010)	(155,534)	(1,282,039)
<b>Other Financing Sources (Uses):</b>				
Transfers - Internal Activities	(186,000)	19,000	167,000	-
Total Other Financing Sources (Uses)	<u>(186,000)</u>	<u>19,000</u>	<u>167,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(1,294,495)	990	11,466	(1,282,039)
<b>Fund Balance - Beginning of the Year</b>	<u>3,680,744</u>	<u>1,163</u>	<u>435,401</u>	<u>4,117,308</u>
<b>Fund Balance - End of the Year</b>	<u>\$ 2,386,249</u>	<u>\$ 2,153</u>	<u>\$ 446,867</u>	<u>\$ 2,835,269</u>

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**

Exhibit F

**Ponchatoula, Louisiana**

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balance to the Government-Wide Statement of Activities  
For the Year Ended December 31, 2011

**Net Change in Fund Balances, Governmental Funds (Exhibit E)** \$ (1,282,039)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. These differences consist of:

Capital Outlay	1,836,401
Depreciation Expense	(113,396)

Governmental funds expense insurance payments when paid. In the statement of activities, only the portion applicable to the current year is expensed. The remaining is recorded in the statement of net assets as prepaid insurance.

Prior Year Prepaid Insurance	(3,623)
Current Year Prepaid Insurance	4,658

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the change in accrued interest from the prior year:

Prior Year Accrued Interest	20,388
Current Year Accrued Interest	(19,744)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Issuance Costs	(3,417)
Amortization of Bond Discount	(3,296)
Repayments of Long-Term Debt	<u>339,150</u>

**Change in Net Assets of Governmental Activities (Exhibit B)** \$ 775,082

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

**Narrative Profile**

The Ponchatoula Area Recreation District No. 1, Ponchatoula, Louisiana, was created by an ordinance of the Tangipahoa Parish Council on April 22, 1996, “as a recreation district to consist of territorial lands and property, both real and personal, in the parish, in accordance with R.S. 33:4562 et seq., and Article 6, Section 19 of the Louisiana Constitution of 1974 and other constitutional and statutory authority supplemental thereto, to be a body corporate in law and a subdivision of the State, known as “Ponchatoula Area Recreation District No. 1 (the “District”).”

The District contains within its limits one municipality, the City of Ponchatoula. The governing body of this municipality has given consent to the inclusion of such municipality in the District. The District shall be and is a political subdivision of the State, within the meaning of the constitution and statutes of the State relating to incurring debt and issuing bonds therefore.

The objectives and purposes of the District are to own and operate playgrounds and other facilities and to engage in activities that would promote recreation and any related activity designed to encourage recreation and promote the general health and well-being of youths and all of the goals and purposes as authorized by law. Revenues for the District include property taxes and state revenue sharing. Major expenditures of the District include capital outlay, debt service, maintenance, supplies, and salaries and related benefits.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes (LRS) 24:513 and to the guidance set forth in the *Louisiana Governmental Audit Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

**1. Summary of Significant Accounting Policies**

A. Financial Reporting Entity

All board members of the District are appointed by the Tangipahoa Parish Council. As the governing authority of the parish, for reporting purposes, the Tangipahoa Parish Council is the financial reporting entity for Tangipahoa Parish. The financial reporting entity consists of (a) primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Because the board members of the District are appointed by the Tangipahoa Parish Council, the District was determined to be a component unit of the Tangipahoa Parish Council, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish government, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Fund Accounting

The District uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

*Governmental Funds*

Governmental funds account for all of the District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations of the District.

General Fund – the primary operating fund of the District, which accounts for the operations of the District, except those operations required to be handled in a separate fund. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

Debt Service Fund – accounts for the receipt and disbursement of funds required to service the District's outstanding bonded indebtedness.

4-Mill Gymnasium Special Revenue Fund – used to account for the collection of the 4-mil property tax dedicated for the construction and debt service for the new gymnasium facility in the District.

C. Measurement Focus / Basis of Accounting

*Basic Financial Statements – Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the District as a whole. These statements include all the non-fiduciary activities of the District with most of the interfund activities removed. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest earnings and other revenues not properly included among program revenues are reported instead as general revenues. The District does not allocate indirect expenses.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

*Basic Financial Statements – Governmental Funds*

The amounts reflected in the General Fund, Debt Service Fund, and 4-Mill Gymnasium Special Revenue Fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the District's operations.

The amounts reflected in the General Fund, Debt Service Fund, and 4-Mill Gymnasium Special Revenue Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are 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. The governmental funds use the following practices in recording revenues and expenditures:

Revenues – Ad valorem tax revenue, state revenue sharing revenue, and interest revenue are recorded when due. Other revenues are generally recognized when they become measurable and available as net current assets (i.e. when the service is performed). Substantially all other revenues are recorded when received.

Expenditures – Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Reconciliation - Explanation of differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Exhibit D of the basic financial statements. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities is presented in Exhibit F of the basic financial statements.

**D. Budgets and Budgetary Accounting**

Budgetary procedures applicable to the District are defined in state law, Louisiana Revised Statutes 39:1301-15. The major requirements of the Local Government Budget Act are summarized as follows:

1. The District adopts a budget each year for the general fund and special revenue funds, if applicable.
2. The Chairman prepares a proposed budget and submits it to the Board of Commissioners for consideration no later than fifteen days prior to the beginning of each fiscal year. At the same time, if total proposed expenditures are \$500,000 or more, a notice of public hearing on the proposed budget must be published in the official journal.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

3. All action necessary to adopt and implement the budget must be completed prior to the beginning of the fiscal year. A hearing on the proposed budget was held on December 15, 2010. The budget was adopted on December 15, 2010.
4. Budgetary amendments involving the transfer of funds from one program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board. The budget was amended on December 20, 2011.
5. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

E. Cash, Cash Equivalents, and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Under State law, the District may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In addition, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Investments for the District are reported at fair market value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

F. Inventory

Inventories for supplies are immaterial and are recorded as expenditures / expenses when purchased.

G. Prepaid Items

The District recognizes expenditures for insurance and similar services extending over more than one accounting period when paid.

H. Capital Assets

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$300 or more for capitalizing assets.

Capital assets are recorded in the statement of net assets and statement of activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

I. Pension Plans

The District is not a member of any retirement system, but is a member of the social security system.

J. Long-Term Obligations

Long-Term Obligations are recorded in the statement of net assets and statement of activities.

K. Compensated Absences

The District has the following policies related to sick and vacation leave:

*Sick Leave*

Full-time employees who have been with the District for one year will be given one-week sick leave. Full-time employees can accrue up to two weeks of sick leave time. When an employee has more than two weeks of sick leave available, they will lose the excess time.

*Vacation Leave*

All full-time employees who have been with the District for one year will be given one week of paid vacation based on their vacation hours earned. All full-time employees who have been with the District for two years or more will be given two weeks of paid vacation based on their vacation hours earned. Full-time employees can accrue vacation time up to three weeks. When an employee has more than three weeks vacation time available, they will lose the excess time.

At the time of termination, full-time employees who have worked less than one year will not receive any paid vacation.

L. Fund Equity

GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable fund balances are associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balances include amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Funds in the Debt Service Fund and the 4-Mill Gymnasium Special Revenue Fund are considered to be restricted due to existing debt service paid from those funds.
3. Committed fund balances include amounts that can be used only for the specific purposes determined by a formal action of the Board of Commissioners (the District's highest level of decision-making authority).

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

4. Assigned fund balances are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balances are the residual classification for the District's general fund and include all spendable amounts not contained in the other classifications.

The District's policy is to apply expenditures against nonspendable fund balances, restricted fund balances, committed fund balances, assigned fund balances, and unassigned fund balances, in that order, at the end of the fiscal year by adjusting journal entries.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

As of December 31, 2011, the District did not have any nonspendable, committed, or assigned fund balances.

**M. Restricted Net Assets**

For the government-wide statement of net assets, equity is classified and displayed in three components:

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

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

**N. Estimates**

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

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

**2. Cash, Cash Equivalents, and Investments**

As reflected on Exhibit A, the District has cash totaling \$1,245,647 (of which \$824,694 is restricted) and investments totaling \$52,042 at December 31, 2011.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

The following is a summary of cash and investments (bank balances) at December 31, 2011, with the related federal deposit insurance and pledged securities:

Bank Balances:	
Insured (FDIC Insurance)	\$ 250,000
Uninsured and Collateralized:	
Collateral held by pledging bank's trust department not in the District's name	998,218
Uninsured and Uncollateralized	<u>-</u>
Total Deposits	<u>\$ 1,248,218</u>

Even though the pledged securities are not held in the entity's name, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 2011, the District's investment balances are as follows:

	Reported Amount	Fair Value
Louisiana Asset Management Pool	<u>\$ 52,042</u>	<u>\$ 52,042</u>

Louisiana Asset Management Pool (LAMP) is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

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

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

- Custodial Credit Risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of Credit Risk: Pooled investments are excluded from the 5% disclosure requirement.
- Interest Rate Risk: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign Currency Risk: Not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company. If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

**3. Receivables**

Receivables represent revenues earned in 2011 and received in 2012 as follows:

	General Fund	Debt Service Fund	4-Mill Gymnasium Fund	Total
Tangipahoa Parish Sheriff:				
Ad Valorem Taxes	\$ 1,067,028	\$ -	\$ 422,932	\$ 1,489,960
State Revenue Sharing	69,804	-	-	69,804
Other Receivables	86,355	-	-	86,355
Less: Allowance for Uncollectible	(21,000)	-	(4,200)	(25,200)
Accounts Receivable, Net	<u>\$ 1,202,187</u>	<u>\$ -</u>	<u>\$ 418,732</u>	<u>\$ 1,620,919</u>

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

**4. Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2011 are as follows:

	Balance 01/01/11	Increases	Decreases	Balance 12/31/11
<b>Capital Assets not Depreciated:</b>				
Land	\$ 1,597,781	\$ 70,000	\$ -	\$ 1,667,781
Construction in Progress	3,312,252	1,386,809	4,699,061	-
<b>Total Capital Assets not Depreciated</b>	<b>4,910,033</b>	<b>1,456,809</b>	<b>4,699,061</b>	<b>1,667,781</b>
<b>Other Capital Assets:</b>				
Buildings	764,677	4,699,061	-	5,463,738
Land Improvements	2,000,690	309,777	-	2,310,467
Equipment	247,585	69,815	-	317,400
<b>Total Other Capital Assets</b>	<b>3,012,952</b>	<b>5,078,653</b>	<b>-</b>	<b>8,091,605</b>
<b>Less Accumulated Depreciation:</b>				
Buildings	132,705	19,482	-	152,187
Land Improvements	258,684	76,770	-	335,454
Equipment	90,117	17,144	-	107,261
<b>Total Accumulated Depreciation</b>	<b>481,506</b>	<b>113,396</b>	<b>-</b>	<b>594,902</b>
<b>Other Capital Assets, Net</b>	<b>2,531,446</b>	<b>4,965,257</b>	<b>-</b>	<b>7,496,703</b>
<b>Totals</b>	<b>\$ 7,441,479</b>	<b>\$ 6,422,066</b>	<b>\$ 4,699,061</b>	<b>\$ 9,164,484</b>

All capital assets are depreciated using the straight-line method over the following useful lives:

Land	N/A
Buildings	40 Years
Land Improvements	20 - 30 Years
Equipment	15 Years

**5. Changes in Long-Term Debt**

The following is a summary of debt transactions for the District for the year ended December 31, 2011:

Type of Debt	Balance at 01/01/11	Debt Issued	Debt Retired	Balance at 12/31/11	Due Within One Year
Certificate of Indebtedness	\$ 84,900	\$ -	\$ 14,150	\$ 70,750	\$ 14,150
Revenue Bonds	5,915,000	-	325,000	5,590,000	335,000
	<u>\$ 5,999,900</u>	<u>\$ -</u>	<u>\$ 339,150</u>	<u>\$ 5,660,750</u>	<u>\$ 349,150</u>

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

Long-term debt at December 31, 2011, is comprised of the following:

*Certificates of Indebtedness:*

\$141,500 Certificates of Indebtedness dated November 16, 2006; Due in annual installments of \$14,150 through November 1, 2016; With interest at 4.55%  
(Payable from a pledge of the excess revenues of the General Fund) \$ 70,750

*Revenue Bonds:*

\$6,160,000 Revenue Bonds (Ponchatoula Area Recreation District No. 1 Project),  
Series 2009 dated August 11, 2009; Due in annual installments of \$105,000 -  
\$365,000 through March 15, 2039; With interest at variable rates. \$ 5,590,000

Payments of Revenue Bond principal and interest are secured primarily by a pledge and dedication of the proceeds of the ten (10.00) mills, ten (10) year property tax approved by voters in the District on July 16, 2005, and the four (4.00) mills, thirty (30) year property tax approved by the voters in the District on November 4, 2008.

The annual requirements to amortize all debt outstanding at December 31, 2011, including interest payments of \$3,928,796 are as follows:

Year Ended December 31,	\$141,500 COI	\$6,160,000 Revenue Bonds	Total
2012	\$ 17,400	\$ 572,582	\$ 589,982
2013	16,750	574,057	590,807
2014	16,100	573,557	589,657
2015	15,450	572,758	588,208
2016	14,800	305,655	320,455
2017 - 2021	-	1,514,597	1,514,597
2022 - 2026	-	1,508,244	1,508,244
2027 - 2031	-	1,502,745	1,502,745
2032 - 2036	-	1,492,673	1,492,673
2037 - 2039	-	892,178	892,178
	<u>80,500</u>	<u>9,509,046</u>	<u>9,589,546</u>
Less: Interest Portion	9,750	3,919,046	3,928,796
	<u>\$ 70,750</u>	<u>\$ 5,590,000</u>	<u>\$ 5,660,750</u>

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

**6. Levied Taxes**

The following is a summary of authorized and levied ad valorem taxes:

General Fund	10.00 Mills
4-Mill Gymnasium Fund	4.00 Mills

Ad valorem taxes attach as an enforceable lien on property on January 1 each year. Taxes are levied by the District during the year, are billed to taxpayers, and become due in November. Billed taxes become delinquent on December 31. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed. The Tangipahoa Parish Sheriff's Office bills and collects the property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish. The taxes are generally collected in December of the current year and January and February of the ensuing year. For 2011, the District levied 14.00 mills for a total tax levy of \$1,519,172 on taxable property valuation totaling \$108,512,322.

**7. Dedication of Proceeds and Flow of Funds – Ad Valorem Tax**

Proceeds of the 10 year special tax of 10 mills on the dollar of assessed valuation on all property subject to taxation in the District (2011 collections \$1,085,123) are dedicated for the purpose of acquiring, constructing, improving, maintaining, and / or operating recreational facilities and activities in and for the District.

The District, through its governing authority, adopted a resolution on November 15, 2006 authorizing the issuance of \$145,000 of Certificates of Indebtedness, Series 2006, for the purpose of acquiring land for expanding existing facilities in the District for recreation purposes. In that resolution, the excess revenues of the District were pledged for payment of the certificates authorized and interest as they become due.

Proceeds of the 30 year special tax of 4 mills on the dollar of assessed valuation on all property subject to taxation in the District (2011 collections \$434,049) are dedicated for the purpose of providing funds to acquire, improve, and equip a multipurpose gymnasium facility and other recreation facilities within the District; to pay the operation and maintenance costs and expenses in connection therewith; and to authorize the funding of the proceeds of said tax into bonds.

The District, through its governing authority, adopted a resolution on July 28, 2009, authorizing the issuance of \$6,160,000 of Revenue Bonds (Ponchatoula Area Recreation District No. 1 Project), Series 2009, for the purpose of acquiring, designing, constructing, and equipping a multipurpose gymnasium facility and other recreational facilities within the District. In that resolution, the proceeds of the ten (10.00) mills, ten (10) year property tax and the four (4.00) mills, thirty (30) year property tax were pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes.

After funds have been set aside out of the revenues of the taxes for each tax roll year sufficient to pay the principal and interest on the bonds for the ensuing calendar year, then any excess of annual revenues of the taxes remaining for that tax roll year shall be free for expenditure by the District for the purposes for which the taxes were authorized by the voters.

As of December 31, 2011, the District was in compliance with the bond covenants.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2011

**8. Interfund Transfers**

	Transfers In From	Transfers Out To
General Fund:		
Debt Service Fund	\$ -	\$ 19,000
4-Mill Fund	-	167,000
Total General Fund	-	186,000
Debt Service Fund:		
General Fund	19,000	-
Total Debt Service Fund	19,000	-
4-Mill Fund:		
General Fund	167,000	-
Total 4-Mill Fund	\$ 167,000	\$ -

Transfers are made from the General Fund to the Debt Service Fund to pay the debt service payments on the Certificates of Indebtedness and to the 4-Mill Fund to pay the debt service payments on the \$6,160,000 Revenue Bonds.

**9. Operating Lease**

The District is renting a house for \$400 per month on a month-to-month basis. At December 31, 2011, \$5,200 was recorded as rental income, which includes the first rental payment for the 2012 year.

**10. Litigation**

On September 25, 2010, an individual attending a public event at the District was injured. The matter was initially turned over to the District's insurance company; however, in March 2011, the District received a citation from the 21<sup>st</sup> Judicial District Court in Tangipahoa Parish for petition for damages. As of the date of this report, the case is still in the investigative stage and it is not possible to tell what liability, if any, the District may have for the potential loss from such claim. Therefore, no accrual for any loss contingency has been made in the financial statements

**11. Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 4, 2012, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Required Supplemental Information (Part II):**  
**Budgetary Comparison Schedules**

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2011

Schedule 1

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	<u>Final Budget</u>
			<u>Budgetary</u>	<u>Favorable /</u>
			<u>Basis</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 950,000	\$ 980,000	\$ 1,085,123	\$ 105,123
State Revenue Sharing	81,729	81,729	106,595	24,866
Other Income	8,314	26,164	28,618	2,454
Total Revenues	1,040,043	1,087,893	1,220,336	132,443
<b>Expenditures:</b>				
Parks and Recreation:				
Salaries and Related Benefits	198,000	219,600	218,432	1,168
Legal & Professional	21,000	92,000	14,296	77,704
Repairs & Maintenance	85,000	95,000	86,910	8,090
Telephone & Utilities	34,000	50,750	50,919	(169)
Office Expenses	18,050	21,030	20,478	552
Insurance	25,000	43,000	42,140	860
Pension Fund Mandate	35,000	35,000	43,137	(8,137)
Other	13,000	16,450	16,118	332
Capital Outlay	1,939,297	2,700,033	1,836,401	863,632
Total Expenditures	2,368,347	3,272,863	2,328,831	944,032
Excess of Revenues over Expenditures	(1,328,304)	(2,184,970)	(1,108,495)	1,076,475
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out)	(275,000)	(200,000)	(186,000)	14,000
Total Other Financing Sources (Uses)	(275,000)	(200,000)	(186,000)	14,000
Excess (Deficiency) of Revenues and				
Other Sources over Expenditures and				
Other Uses	(1,603,304)	(2,384,970)	(1,294,495)	1,090,475
<b>Fund Balance - Beginning of the Year</b>	1,758,057	2,555,146	3,680,744	1,125,598
<b>Fund Balance - End of the Year</b>	\$ 154,753	\$ 170,176	\$ 2,386,249	\$ 2,216,073

See auditor's report.

**Ponchatoula Area Recreation District No. 1**

Schedule 2

**Ponchatoula, Louisiana**

Budgetary Comparison Schedule – 4-Mill Gymnasium Fund

For the Year Ended December 31, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 400,000	\$ 400,000	\$ 434,049	\$ 34,049
Total Revenues	400,000	400,000	434,049	34,049
<b>Expenditures:</b>				
Parks and Recreation:				
Pension Fund Mandate	40,000	16,000	17,255	(1,255)
Office Expenses	-	3,200	3,145	55
Debt Service	<u>569,183</u>	<u>569,183</u>	<u>569,183</u>	<u>-</u>
Total Expenditures	<u>609,183</u>	<u>588,383</u>	<u>589,583</u>	<u>(1,200)</u>
Excess of Revenues over Expenditures	(209,183)	(188,383)	(155,534)	32,849
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out)	<u>200,000</u>	<u>167,000</u>	<u>167,000</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>167,000</u>	<u>167,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(9,183)	(21,383)	11,466	32,849
<b>Fund Balance - Beginning of the Year</b>	<u>98,681</u>	<u>32,924</u>	<u>354,097</u>	<u>321,173</u>
<b>Fund Balance - End of the Year</b>	<u>\$ 89,498</u>	<u>\$ 11,541</u>	<u>\$ 365,563</u>	<u>\$ 354,022</u>

See auditor's report.

## **Other Supplemental Information**

**Ponchatoula Area Recreation District No. 1**

Schedule 3

**Ponchatoula, Louisiana**

Schedule of Compensation Paid to the Chairman and Board of Commissioners

For the Year Ended December 31, 2011

<u>Name and Address</u>	<u>Position</u>	<u>Salary</u>	<u>Term Expires</u>
Dr. William Wheat, Jr. 40316 Happywoods Road Hammond, LA 70403	Chairman / Commissioner	\$ -	April 2013
Linda Byers 39693 Howes Lane Ponchatoula, LA 70454	Commissioner	-	Resigned December 16, 2011
Shari Amerson 42251 Jefferson Court Ponchatoula, LA 70454	Commissioner	-	April 1, 2012
Daniel Dufreche P.O. Box 635 Ponchatoula, LA 70454	Commissioner	-	June 2015
Eldrid L. Palmer, Jr. 18287 Sharon Drive Ponchatoula, LA 70454	Commissioner	-	April 2014
Ronald Rocquin 11533 Spring Creek Drive Hammond, LA 70403	Commissioner	-	April 2016
		<u>\$ -</u>	

See auditor's report

**Other Independent Auditor's Reports and  
Findings, Recommendations, and Responses**

# Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS  
A PROFESSIONAL CORPORATION  
www.djcpa.com

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Robert W. Thompson, CPA

June 4, 2012

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*

Dr. William Wheat, Chairman  
and Members of the Board of Commissioners  
Ponchatoula Area Recreation District No. 1  
Ponchatoula, LA 70454

We have audited the financial statements of the governmental activities and each major fund of Ponchatoula Area Recreation District No. 1, as of for the year ended December 31, 2011, which collectively comprise Ponchatoula Area Recreation District No. 1's basic financial statements and have issued our report thereon dated June 4, 2012. 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.

Internal Control over Financial Reporting

Management of the Ponchatoula Area Recreation District No. 1 is responsible for establishing effective internal control over financial reporting. In planning and performing our audit, we considered Ponchatoula Area Recreation District No. 1's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ponchatoula Area Recreation District No. 1's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ponchatoula Area Recreation District No. 1's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of current year findings and recommendations, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of control 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. We consider item 2011-01 and 2011-02 described in the accompanying schedule of findings and recommendations to be a material weakness.

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. We consider item 2011-03 described in the accompanying schedule of findings and recommendations to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ponchatoula Area Recreation District No. 1'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*.

Ponchatoula Area Recreation District No. 1's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Ponchatoula Area Recreation District No. 1's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Durnin & James, CPAs  
(A Professional Corporation)

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Schedule of Current Year Findings, Recommendations, and Responses  
For the Year Ended December 31, 2011

**Internal Control over Financial Reporting**

**2011-01 – Financial Statement Preparation**

*Condition:* As is common in small organizations, management has chosen to engage the auditors to propose certain year-end adjusting journal entries and to prepare the annual financial statements. Consistent with this decision, internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, have not been fully implemented. Under generally accepted auditing standards (GAAS), this condition represents a material weakness in internal controls. GAAS does not provide exceptions to reporting deficiencies that are adequately mitigated with non-audit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive or otherwise impractical.

*Criteria:* Internal controls over the preparation of year-end adjusting entries and annual financial statements, complete with notes, are necessary in order for management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis.

*Cause:* This condition is intentional by management based on the District's lack of financial complexity, along with the cost prohibitive nature of acquiring the ability to prepare financial statements.

*Effect:* Management and employees are unable to prevent or detect and correct misstatements on a timely basis in the normal course of performing their assigned functions.

*Recommendation:* We recommend no action be taken.

*Management's Response:* Management has determined that the most cost effective and prudent use of District's financial resources is to engage the auditor to propose year-end adjustments and prepare the financial statements. As such, no action will be taken at this time.

**2011-02 – Overpayment of Construction Contract Invoice**

*Condition:* During our audit and testing of capital outlay expenditures, we noted that an invoice in the amount of \$86,354.86 payable to a construction contractor was paid twice by the District on May 16, 2011. District employees did not discover this duplicate payment until it was brought to their attention by the independent auditor on March 6, 2012.

*Criteria:* Internal controls over cash disbursements are necessary in order for management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis.

*Cause:* The cause of this condition appears to be oversight by management in developing their internal control procedures related to the review and reconciliation of the monthly trustee bank disbursements and reports.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Schedule of Current Year Findings, Recommendations, and Responses  
For the Year Ended December 31, 2011

*Effect:* Financial statements prepared by the District subsequent to May 16, 2011, were materially misstated until the independent auditor discovered the duplicate payment on March 6, 2012.

*Recommendation:* We recommend that the District contact the bank to request a refund of the double payment immediately. We also recommend that internal control procedures be improved to allow for a detailed review and reconciliation of the monthly trust account bank statements.

*Management's Response:* As of the date of the auditor's report, the duplicate payment has been refunded to the District by the contractor. This condition was caused by the District's bank assigned with the responsibility of disbursing all funds from the Construction Fund Trust Fund. Since the construction is now complete and the money in the trust fund expended this condition will not occur in the future. We will continue to review progress to contractors to prevent duplicate payment of invoices.

**2011-03 –Invoices Not Approved When Checks Are Signed**

*Condition:* During our audit and testing of cash disbursements, we noted that invoices for cash disbursements are not reviewed and approved by the authorized check at the time the checks are signed. Invoices are subsequently approved at the next available Board meeting, which can sometimes take place several weeks after a check has been signed and mailed.

*Criteria:* Internal controls over cash disbursements are necessary in order for management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis.

*Cause:* The cause of this condition appears to be oversight by management in developing their internal control procedures. Improvement is necessary to maintain adequate internal controls over the cash disbursements process.

*Effect:* Management and employees are unable to prevent or detect and correct misstatements on a timely basis in the normal course of performing their assigned functions.

*Recommendation:* We recommend that an authorized check signer approve each invoice at the time a disbursement check is signed by initialing the face of each invoice.

*Management's Response:* In the future, invoices for payment will be attached to the check and available for review and approval by the persons signing the checks at the time the checks are signed.

**Compliance and Other Matters**

None

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Schedule of Prior Year Findings, Recommendations, and Responses  
For the Year Ended December 31, 2011

**Internal Control over Financial Reporting**

None

**Compliance and Other Matters**

None