

**RECREATION DISTRICT NO. 2  
OF THE PARISH OF ST. MARY,  
STATE OF LOUISIANA**

***Annual Financial Report***

***For the Year Ended September 30, 2004***

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/18/05



STAGNI & COMPANY, LLC

**RECREATION DISTRICT #2 OF THE PARISH OF ST. MARY,  
STATE OF LOUISIANA  
Annual Financial Report  
For the Year Ended September 30, 2004**

TABLE OF CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	1
 <i>Financial Section:</i>	
INDEPENDENT AUDITOR'S REPORT	11
BASIC FINANCIAL STATEMENTS:	
<i>Government Wide Financial Statements:</i>	
Statement of Net Assets	13
Statement of Activities	14
<i>Fund Financial Statements – Governmental Funds:</i>	
Balance Sheet	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Change in Fund Balance of Governmental Funds to the Statement of Activities	17
<i>Notes to Financial Statements</i>	18
 <i>Required Supplemental Information:</i>	
BUDGET COMPARISON SCHEDULE:	
General Fund	29
 <i>Reports Required by Government Auditing Standards:</i>	
Report on Compliance And on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	30
Schedule of Findings and Questioned Costs	32
Status of Prior Year Audit Findings	33
Corrective Action Plan	34

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

As management of the Recreation District No. 2 of the Parish of St. Mary, State of Louisiana ("District"), we provide readers of the District's financial statements this narrative overview and analysis of the financial activities of the Recreation District, for the fiscal year ended September 30, 2004. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

Our financial statements provide these insights into the results of this year's operations:

- Net assets of our governmental activities increased by \$21,289 or 1.7%.
- Total net assets are comprised of the following:
  - (1) Invested in capital assets of \$453,005 that included property and equipment (\$2,457,829), net of accumulated depreciation (\$809,824) – the net book value, net of the related debt (\$1,195,000).
  - (2) Net assets restricted for debt service of \$165,517 and restricted for capital projects of \$180,469.
  - (3) Unrestricted net assets of \$444,097 that represent the portion available to maintain continuing obligations to citizens and creditors.
- Revenues of our governmental activities totaled approximately \$501,000, a decrease of 4% from the prior year total of \$522,365, while expenditures, excluding the capital projects fund, totaled approximately \$480,000 an increase of 46% from the prior year total of \$328,649.
- Approximately \$458,000 was expended in the current year from the capital projects fund on recreation improvements and renovations. The expenditures were funded in the prior year by issuing general obligation bonds. Approximately \$180,000 remained in the capital projects fund at year-end.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. Required supplementary information, and
5. Other supplementary information, which is in addition to the basic financial statements themselves.

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

**1. Government-Wide Financial Statements**

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers a concise "entity-wide" Statement of Net Assets and Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting in a manner similar to a private-sector business.

- A. The statement of net assets presents information on all of the District's assets and liabilities using the accrual basis of accounting. The difference between the assets and liabilities is reported as net assets. The net assets are segregated between investment in capital assets, restricted assets or unrestricted assets. These categories are determined by the nature or source of the net asset. Amounts available in unrestricted net assets may be utilized for continued operation and maintenance of recreation facilities or programs in the future. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or weakening.
- B. The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. This statement shows the difference between expenditures and revenues for recreation activities and the general revenues of the District. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**2. Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Some funds are required to be established by State law and by bond covenants. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District consist of one category: governmental funds.

- A. Governmental funds are used to account for most of the District's basic services as reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- B. The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and the Debt Service Fund.

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

- C. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the conversion from governmental funds to governmental activities.

Our auditor has provided assurance in the independent auditor's report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding this Management's Discussion and Analysis and the Required Supplemental Information is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS AS A WHOLE**

The District's net assets increased by \$21,289 compared to a \$193,716 increase in the prior year, although the change in components for amounts invested in capital assets and restricted assets was significant. This was the result of completing construction projects during the current year. Our analysis that follows focuses on the components of net assets (Table A-1) and changes in net assets (Table A-2) of the governmental-type activities.

**NET ASSETS**

To begin our analysis, a condensed comparative summary of the Statement of Net Assets is presented in Table A-1.

Table A-1  
Condensed Statement of Net Assets

	FY 2004	FY 2003	Dollar Change	Total % Change
Current Assets	\$ 809,364	\$ 1,440,546	\$ (631,182)	-43.8%
Capital Assets	<u>1,648,005</u>	<u>1,271,962</u>	<u>376,043</u>	<u>29.6%</u>
<b>Total Assets</b>	<b>2,457,369</b>	<b>2,712,508</b>	<b>(255,139)</b>	<b>-9.4%</b>
Long-term Debt Outstanding	1,195,000	1,330,000	(135,000)	-10.2%
Other Liabilities	<u>19,281</u>	<u>160,709</u>	<u>(141,428)</u>	<u>-88.0%</u>
<b>Total Liabilities</b>	<b>1,214,281</b>	<b>1,490,709</b>	<b>(276,428)</b>	<b>-18.5%</b>
Invested in Capital Assets,				
Net of Related Debt	453,005	(58,038)	511,043	511.0%
Restricted	345,986	743,859	(397,873)	-53.5%
Unrestricted	<u>444,097</u>	<u>535,978</u>	<u>(91,881)</u>	<u>-17.1%</u>
<b>Total Net Assets</b>	<b><u>\$ 1,243,088</u></b>	<b><u>\$ 1,221,799</u></b>	<b><u>\$ 21,289</u></b>	<b><u>1.7%</u></b>

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

Net assets may serve over time as a useful indicator of a government's financial position. The District assets exceeded its liabilities at the close of the current year by \$1,243,088 (net assets) compared to \$1,221,799 at the prior year-end. Of this amount, \$444,097 is unrestricted net assets. This represents 35.7% of net assets and is resources that are available to be used to meet the District's ongoing obligation to citizens and creditors. The District's unrestricted net assets decreased by approximately \$91,000 during the year, largely from additional investments made in capital expenditures.

The District has \$345,986 compared to \$743,859 at the prior year-end in restricted net assets, which represents 27.8% of net assets. These resources are subject to external restrictions on how they may be used, i.e. bond covenants (restricted for capital projects) and debt service restrictions. The restricted net assets of the District decreased as a result of funds expended from the capital projects fund for the completion of the District's recreation improvements and renovations project. The funds available for debt service increased by \$59,103 as a result of continued increases in property assessed values within the District.

The District has total assets of \$2,457,369 compared to \$2,712,508 at the prior year-end. Of the total assets \$1,648,005 are capital assets, net of depreciation compared to \$1,271,962 at the end of 2003. Although the District's investment in its capital assets is reported net of related debt in its net asset reporting, 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.

***CHANGES IN NET ASSETS***

The governmental activities of the District include recreation, i.e. activities buildings, parks, playgrounds, tennis and outdoor facilities. Property taxes fund most of these governmental activities.

A condensed comparative summary of the Statement of Activities is presented in Table A-2. This table shows the District's expenditures related to the functions/programs associated with its governmental activities. The table gives an indication of how the District's resources are utilized and the source of the resources.

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

Table A-2  
Condensed Statement of Activities

	FY 2004	FY 2003	Dollar Change	Total % Change
<b>Governmental Activities</b>				
<b>Recreation</b>				
<b>Program expenses</b>				
Operating costs	\$ 356,365	\$ 230,443	\$ 125,922	54
Interest expense	45,305	37,011	8,294	22
Depreciation	78,483	61,195	17,288	28
<b>Total program expenses</b>	<u>480,153</u>	<u>328,649</u>	<u>151,504</u>	<u>46</u>
<b>Program revenues</b>				
Charges for services	5,811	11,982	(6,171)	-51
<b>Total program revenues</b>	<u>5,811</u>	<u>11,982</u>	<u>(6,171)</u>	<u>-51</u>
<b>Net Program Revenues Before     General Revenues</b>	<b>(474,342)</b>	<b>(316,667)</b>	<b>(157,675)</b>	<b>462</b>
<b>General revenues</b>				
Ad valorem taxes	430,518	437,329	(6,811)	-1
Sales tax allocation	54,725	54,837	(112)	0
Other revenues	209	2,083	(1,874)	-90
Interest income earned	10,179	16,134	(5,955)	-36
<b>Total general revenues</b>	<u>495,631</u>	<u>510,383</u>	<u>(14,752)</u>	<u>-2</u>
<b>Change in Net Assets</b>	<b>21,289</b>	<b>193,716</b>	<b>(172,427)</b>	<b>-89</b>
<b>Beginning Net Assets</b>	<u>1,221,799</u>	<u>1,028,083</u>	<u>193,716</u>	<u>18</u>
<b>Ending Net Assets</b>	<u>\$ 1,243,088</u>	<u>\$ 1,221,799</u>	<u>\$ 21,289</u>	<u>1</u>

Operating costs for the recreation activities of the District increased by approximately \$125,000 to \$356,365 compared to \$230,443 in 2003. This was the result of increased wages incurred for a part-time worker being converted to full-time, continuing increases in property and general liability insurance and significant increases incurred in repair and maintenance costs for the buildings and equipment. \$105,068 of building repairs was funded from the capital projects fund. Interest expense reported was approximately \$8,000 higher than 2003 because 2004 was the first full year of the general obligation bond being outstanding. Depreciation expense for 2004 was \$78,483, an increase of \$17,288 over 2003 depreciation expense. This was the result of the completion and acquisition of recreation park facilities and equipment during 2004.

As indicated above, ad valorem tax revenue is the largest revenue source for the District comprising 86.9% and 88.7% of general revenues for 2004 and 2003. During the years ended September 30, 2004 and 2003, property taxes of 20.30 mills were levied on property inside of the

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

District boundaries. The District's gross tax assessed for 2004 decreased slightly by \$7,821 to \$442,482 compared to \$450,303 for 2003.

Sales tax revenue dedicated by the St Mary Parish Council for recreation within the District boundaries has remained very consistent at approximately \$54,000 for 2004 and 2003. Declines in the interest revenue earned are the result of funds being spent on completion of capital projects.

***FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS***

As previously stated, the District maintains three governmental funds, the General Fund, Capital Projects Fund, and the Debt Service Fund. The District's governmental funds reported combined ending fund balances of \$573,126 and \$976,191 for the fiscal years ended 2004 and 2003. This is a decrease of approximately \$403,000 from the prior year-end. Decreases in the combined fund balances result from spending in the capital projects fund on recreation projects that reduced the restricted fund balance in that fund.

The General Fund unreserved fund balance is \$227,140 compared to \$232,332 at the end of the prior year, a decrease of \$5,192. Although ad valorem and sales tax revenues remained nearly the same for 2004, an additional commitment to capital expenditures (\$101,732) and increases in some areas of operating costs for the current fiscal year resulted in the decreased fund balance. The financial resources in this fund are available to carryout the current operations and programs of the District.

The reserved fund balance in the Capital Projects Fund totaled \$180,469 at fiscal year end 2004, compared to \$637,445 at 2003. This decrease of \$456,975 was the result of expenditures on recreation capital improvement and maintenance projects completed during the year. These expenditures were made from the unspent proceeds of the general obligation bond that is reserved for construction and renovation. At year-end the District was working to finalize plans for the remaining improvement or renovation projects to be completed.

The reserved fund balance in the Debt Service Fund totaled \$165,517 at the end of fiscal 2004 compared to \$106,414 at 2003. This is an increase of approximately \$59,000 from the prior year, resulting primarily from the District's discretion in setting its millage rate in order to accumulate additional reserves. Resources in this fund are reserved for the payment of principal and interest on the District's outstanding bond issues.



**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District adopts an annual budget for its General Fund. Prior to year end, the District amended its' budget for the year ending September 30, 2004 to reflect the changes in revenue received and operating expenditures incurred. A budget comparison schedule has been included for the General Fund to demonstrate compliance with the legally adopted budget. A condensed Comparison of budget and actual is shown below in Table A-3. An analysis of significant budget variances in the General Fund is as follows:

**1. Revenues:**

- Changes between the original and final budget amounts for property tax revenue were made to reflect increased revenues received during the current year. The total property tax revenue received currently was very consistent with amounts collected in the previous year.
- Budgeted sales tax revenues were increased during the year to reflect the increased revenues collected, which was very consistent to the amounts collected in the prior year.
- The budget was amended to reflect the Board of Commissioners decision to not transfer funds (\$15,000) from the capital projects fund to the general fund for reimbursement of capital expenditures
- There were no significant variations between the final budgeted revenues and the actual amounts realized for 2004.

**2. Expenditures:**

- Budgeted amounts for expenditures were amended primarily to adjust amounts within expenditure line items. The primary increase incurred between the original and final budget was to reflect the increased cost of repairs and maintenance incurred on the recreation buildings, facilities, and equipment.
- There were no significant negative variances between the amended budget and the actual expenditures incurred for the year.

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

Table A-3  
Condensed Comparison of Budget and Actual

	Original Budget	Final Budget	Actual FY 2004	Dollar Variance	Total Percent Variance
Ad valorem taxes	\$ 180,000	\$ 275,000	\$ 275,522	\$ 522	0.2
Sales tax allocation	\$ 45,000	\$ 52,000	\$ 54,725	\$ 2,725	5.2
Other, transfers in	19,000	7,000	8,662	1,662	23.7
<b>Total Revenues</b>	<b>244,000</b>	<b>\$ 334,000</b>	<b>\$ 338,909</b>	<b>\$ 4,909</b>	<b>1.5</b>
Operating expenses	250,036	264,981	242,369	22,612	8.5
Capital expenditures	110,000	108,000	101,732	6,268	5.7
<b>Total Expenses</b>	<b>360,036</b>	<b>372,981</b>	<b>344,101</b>	<b>28,880</b>	<b>7.7</b>
<b>Excess ( Deficiency) of Revenues Over Expenditures</b>	<b>(116,036)</b>	<b>(38,981)</b>	<b>(5,192)</b>	<b>33,789</b>	<b>86.5</b>
Fund balance, beginning	232,332	232,332	232,332	-	0.0
<b>Fund balance, end</b>	<b>\$ 116,296</b>	<b>\$ 193,351</b>	<b>\$ 227,140</b>	<b>\$ 33,789</b>	<b>17.4</b>

The Board of Commissioners is not aware of any currently known factors that could have a significant effect on future recreation activities. Tax revenue sources remain consistent and operating cost has been stable.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At September 30, 2004 the District had \$1,648,005 (net of depreciation) invested in a wide range of capital assets as shown in Table A-4 below. This amount represents a net increase (including additions and deductions) of \$376,043, or 29.6% over last year.

Table A-4  
Summary of Capital Assets

	2003	2004
Buildings, improvements, outdoor facilities	\$ 1,346,525	\$ 2,048,186
Kitchen equipment	60,835	64,915
Maintenance equipment	51,254	64,646
Office furniture and fixtures	21,737	31,131
Recreation equipment	70,806	111,275
Transportation equipment	137,677	137,677
Construction in progress	322,678	-
<b>Total Cost of Assets</b>	<b>2,011,512</b>	<b>2,457,830</b>
Accumulated Depreciation	(739,550)	(809,825)
<b>Total Capital Assets, Net</b>	<b>\$ 1,271,962</b>	<b>\$ 1,648,005</b>

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

This year there was \$454,525 of additions to capital assets. This year's major capital additions included:

• Buildings and other improvements	\$ 206,207
• Tennis court	\$ 45,641
• Utility vehicle and tractor	\$ 21,599
• Concession stand and improvements	\$ 222,887
• Maintenance building	\$ 71,150
• Ball park lights and bleachers	\$ 111,276
• Jogging/walking track	\$ 44,500
• Outdoor playground equipment	\$ 15,548
• Music equipment	\$ 12,991

Approximately \$180,000 from the proceeds of the 2002 general obligation bond issue dedicated to financing the recreation district improvements and renovation projects remains in the capital project fund at year end. At present the District has no contract commitments for capital expenditures. Additional detailed information about capital assets is presented in Note 6 to the financial statements.

**Long-term Debt**

The Recreation District had \$1,195,000 in bonds outstanding at year-end compared to \$1,330,000 last year as shown in the following table.

**OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities		
	<u>2002</u>	<u>2003</u>	<u>2004</u>
2002 General Obligation Bonds	\$ -	\$ 1,050,000	\$ 1,000,000
1993 Refunding Bonds	<u>360,000</u>	<u>280,000</u>	<u>195,000</u>
	<u>\$ 360,000</u>	<u>\$ 1,330,000</u>	<u>\$ 1,195,000</u>

The net decrease of \$135,000 is the result of required debt service payments made during the year. The District does not have plans to issue any new debt at this time.

The District has accumulated surplus funds in the amount of approximately \$28,000 in the debt service fund for the retirement of the General Obligation Refunding Bonds, Series 1993. The

**RECREATION DISTRICT NO. 2,  
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the year ended September 30, 2004**

Board of Commissioners is considering the procedures to pay off the bonds as well as evaluating the feasibility of refunding the excess tax collected.

**Bond Ratings**

The 2002 general obligation bonds and the 1993 refunding bonds are not rated by any nationally recognized bond rating firm or agency.

Additional detailed information about outstanding long-term debt is presented in Note 7 to the financial statements.

***CURRENTLY KNOWN FACTS, ECONOMIC FACTORS AND CONDITIONS***

The Board of Commissioners continues to monitor all economic factors that affect the operation, maintaining, and improvement of the recreational facilities of the District. Historically, the majority of the District's revenue has been derived from a maintenance and operating property tax levied. This tax levy of 13 mills per annum was approved by the voters in 2002 and is to expire in 2011. The Parish continues to provide sales tax from the three-tenths of one percent sales tax levy collected within the District and dedicated to recreation within the District. The District has substantially completed capital improvements and renovations that address many structural and mechanical aspects of the facilities. These expenditures were paid from resources available in the capital projects fund. The Board of Commissioners has no current knowledge of any economic conditions that could have a significant adverse affect on its revenues or operating costs. The general fund unreserved fund balance decreased by \$5,192 to a total of \$227,140 during the current fiscal year. The debt service fund balance increased by \$59,103 to a total of \$165,517 during the current fiscal year. The District has approximately \$180,000 available in the capital projects fund for capital expenditure needs. The Board of Commissioners in preparing and adopting the general fund budget for fiscal year end September 30, 2005 considered these factors. If these current economic factors and conditions remain consistent, the net asset balance is expected to increase modestly by the close of 2005.

***CONTACTING MANAGEMENT***

This Annual Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Recreation District No. 2's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Recreation District No. 2 of the Parish of St. Mary at P.O. Box 922, Morgan City, LA 70381, phone number 1-985-384-4224.

***FINANCIAL SECTION***



# STAGNI & COMPANY, LLC

To the Board of Commissioners  
Recreation District No. 2, Parish of St. Mary,  
State of Louisiana  
Morgan City, Louisiana

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Recreation District No. 2, a component unit of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 2004, as listed in the financial section of the table of contents. These basic financial statements are the responsibility of Recreation District No. 2's management. Our responsibility is to express an opinion on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Recreation District No. 2 as of September 30, 2004, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

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To the Board of Commissioners  
Recreation District No.2, Parish of St. Mary  
Morgan City, Louisiana  
Page 2 of 2

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 2005, on our consideration of Recreation District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Stagni & Company*

Thibodaux, Louisiana  
February 18, 2005



**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

Statement of Net Assets - Governmental Activities  
September 30, 2004

**ASSETS**

Current assets:

Cash and cash equivalents	\$ 424,633
Investments	313,599
Due from other governments	36,376
Prepaid expenses	12,739
Unamortized bond issue costs	21,957
Deposits	<u>60</u>
Total current assets	809,364

Noncurrent assets:

Capital assets, net of depreciation	<u>1,648,005</u>
Total assets	<u>2,457,369</u>

**LIABILITIES**

Current liabilities:

Accounts payable and accrued expenses	5,609
Contracts and retainage payable	3,550
Interest payable	10,122
Refund bonds payable - Series 1993	195,000
Bonds payable - current	<u>55,000</u>
Total current liabilities	<u>269,281</u>

Bonds Payable -long term	<u>945,000</u>
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Total Liabilities	<u>1,214,281</u>
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**NET ASSETS**

Invested in capital assets, net of related debt	453,005
Restricted for:	
Debt Service	165,517
Capital Projects	180,469
Unrestricted	<u>444,097</u>
Total net assets	<u>\$ 1,243,088</u>

See notes to financial statements.



**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

Statement of Activities  
For the Year Ended September 30, 2004

<b>FUNCTIONS / PROGRAMS</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenue</b>
	<b>Expenses</b>	<b>Charges for Services</b>	
Governmental activities:			
General government - Recreation	\$ 480,153	\$ 5,811	<u>\$ (474,342)</u>
Total governmental activities:			(474,342)
General revenues:			
Ad Valorem Taxes			430,518
Sales tax allocation			54,725
Interest			10,179
Other			209
Total general revenues			<u>495,631</u>
Change in net assets			<u>21,289</u>
Net assets - beginning			<u>1,221,799</u>
Net assets - ending			<u><u>\$ 1,243,088</u></u>

See notes to financial statements.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST MARY  
STATE OF LOUISIANA**

Balance Sheet - Governmental Funds  
September 30, 2004

	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash	\$ 83,574	\$ 168,548	\$ 172,511	\$ 424,633
Investments	100,000	15,471	198,128	313,599
Due from other governments	36,376			36,376
Prepaid expenses	12,739			12,739
Deposits	60			60
<b>Total assets</b>	<u>\$ 232,749</u>	<u>\$ 184,019</u>	<u>\$ 370,639</u>	<u>\$ 787,407</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 5,609			\$ 5,609
Retainage payable		\$ 3,550		3,550
Interest payable - refund bonds - Series 1993			\$ 10,122	10,122
Refund bonds payable - Series 1993			195,000	195,000
<b>Total liabilities</b>	<u>5,609</u>	<u>3,550</u>	<u>205,122</u>	<u>214,281</u>
<b>FUND BALANCES</b>				
Reserved-reported in:				
Capital Projects		180,469		180,469
Debt Service			165,517	165,517
Unreserved-reported in:				
General Fund	227,140			227,140
<b>Total fund balances</b>	<u>227,140</u>	<u>180,469</u>	<u>165,517</u>	<u>573,126</u>
<b>Total liabilities and fund balances</b>	<u>\$ 232,749</u>	<u>\$ 184,019</u>	<u>\$ 370,639</u>	

**RECONCILIATION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:**

Amounts reported for *governmental activities* in the Statement of Net Assets are different because:

    Capital assets used in governmental activities are not financial resources  
    and therefore are not reported in the funds. 1,648,005

    Some liabilities are not due and payable in the current period and therefore  
    are not reported in the funds.

Bonds payable: Current	(55,000)	
Long term	(945,000)	
Unamortized bond issue costs	21,957	(978,043)

Net assets of governmental activities \$ 1,243,088

See notes to financial statements.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  
For the Year Ending September 30, 2004

	General	Capital Projects	Debt Service	Total Governmental Funds
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 275,522		\$ 154,996	\$ 430,518
Sales tax allocation	54,725			54,725
Interest	2,642	\$ 1,080	6,457	10,179
Rental & activity income	5,811			5,811
Other	209			209
<b>Total Revenues</b>	<b>338,909</b>	<b>1,080</b>	<b>161,453</b>	<b>501,442</b>
<b>EXPENDITURES</b>				
General government - current:				
Salaries and wages	72,914			72,914
Fringe benefits	13,427			13,427
Commissioners per diem	600			600
Insurance	36,572			36,572
Utilities and telephone	25,682			25,682
Legal, accounting and professional	10,985			10,985
Supplies and office	10,752			10,752
Repairs and maintenance	41,733	105,068		146,801
Truck, bus and tractor expenses	7,947			7,947
Summer program cost	5,343			5,343
Public relations	718			718
Pension - ad valorem taxes	8,956		5,029	13,985
Bank charges		194		194
Other	6,740		2,016	8,756
<b>Total current expenditures</b>	<b>242,369</b>	<b>105,262</b>	<b>7,045</b>	<b>354,676</b>
Capital expenditures:				
Capital outlay	101,732	29,519		131,251
Construction and architect fees		323,274		323,274
<b>Total capital expenditures</b>	<b>101,732</b>	<b>352,793</b>	-	<b>454,525</b>
Debt service:				
Principal retirement			50,000	50,000
Interest and fiscal charges			45,305	45,305
<b>Total debt service</b>			<b>95,305</b>	<b>95,305</b>
<b>Total expenditures</b>	<b>344,101</b>	<b>458,055</b>	<b>102,350</b>	<b>904,506</b>
<b>Excess (deficiencies) of revenues over expenditures</b>	<b>(5,192)</b>	<b>(456,975)</b>	<b>59,103</b>	<b>(403,064)</b>
Other financing sources (uses):				
General obligation bonds issued		-		-
<b>Total other financing sources (uses)</b>		<b>-</b>		<b>-</b>
<b>Net change in fund balances</b>	<b>(5,192)</b>	<b>(456,975)</b>	<b>59,103</b>	<b>(403,064)</b>
<b>FUND BALANCES</b>				
Beginning of year	232,332	637,444	106,414	976,190
<b>Ending of year</b>	<b>\$ 227,140</b>	<b>\$ 180,469</b>	<b>\$ 165,517</b>	<b>\$ 573,126</b>

See notes to the financial statements.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2004

Net change in fund balances - total governmental funds (fund financial statements)    \$    (403,064)

Amounts reported for *governmental activities* in the statement of activities  
(government-wide financial statements) are different because:

Governmental funds report capital outlays as expenditures in the individual funds.  
Governmental activities report depreciation expense to allocate the cost of those  
capital assets over the estimated useful lives of the asset.

Capital outlay	\$	454,525	
Depreciation expense		<u>(78,483)</u>	376,042

Repayment of long-term debt is reported as an expenditure in governmental funds,  
but the repayment reduces long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond principal retirement		<u>50,000</u>	50,000
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Some items reported in the statement of activities do not require the use of  
current financial resources and therefore are not reported as expenditures in  
governmental funds. These activities consist of:

Amortization of bond issue costs		<u>(1,689)</u>	<u>(1,689)</u>
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Change in net assets of governmental activities		<u>\$ 21,289</u>	
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**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended September 30, 2004

The Recreation District No. 2 of the Parish of St. Mary, Louisiana (the District) was created and established by ordinance No. 961 adopted by the St. Mary Parish Council on June 26, 1985. The District is governed by a board of commissioners composed of five members appointed by the St. Mary Parish Council. The "Recreation District No. 2 as created shall constitute a public corporation and political subdivision of the State of Louisiana, and as such, will have the rights, powers, and privileges granted and conferred by the Constitution and Statues of the State of Louisiana, and subject to the terms and provisions of the St. Mary Parish Home Rule Charter, and the rights and duties conferred therein, including the authority to incur debt, to issue bonds, and to levy taxes and assessments." The District is authorized to acquire land, construct and maintain buildings, equipment and other facilities to be used in providing recreation facilities within the corporate boundaries of the District.

**Note 1**            ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting and reporting policies of the St. Mary Parish Recreation District No. 2 (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.

The following is a summary of certain significant accounting policies:

**A.**        **Reporting Entity**

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The Governmental Accounting Standards Board established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The St. Mary Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Based on criterion applied, the District is a component unit of the St. Mary Parish Council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the St. Mary Parish Council, the general government services provided by the Council, or the other governmental units that comprise the financial reporting entity for St. Mary Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Government Accounting Standards Board (GASB) Statement 14.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended September 30, 2004

**Note 1**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B.**      *Basic Financial Statements – Basis of Presentation*

**Government-Wide and Fund Financial Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type activities. All of the District's administrative services are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and activities. These functions are also supported by general government revenues (interest earned.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (interest earned, etc). This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended September 30, 2004

**Note 1**      ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

**B.**      ***Basic Financial Statements – Basis of Presentation (continued)***

**Governmental Funds**

Governmental Funds are those through which the governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The Governmental Funds of the District are as follows:

General Fund - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or repair or replacement of major capital facilities (other than those financed by proprietary funds and trust funds.)

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

**C.**      ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The governmental fund financial statements 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. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental fund financial statements. 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 be used to pay liabilities of the current period. The governmental funds use the following practices in recording revenues and expenditures:

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2004

**Note 1**      ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

C.      *Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)*

Ad valorem taxes and revenue sharing are considered susceptible to accrual. Interest income is recorded when received by the District. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D.      *Budgets*

The District complies with the "Louisiana Local Government Budget Act" and henceforth; budgets are adopted for its general fund on a modified accrual basis that is consistent with generally accepted accounting principles. Annual budgets are prepared by the Executive Director of the District along with a budget message and presented to the Board for adoption no later than 15 days prior to the beginning of the fiscal year. Budgets are adopted for the fiscal year and lapse at a year-end. The budget is amended by supplemental appropriations as needed to during the year to comply with state law.

E.      *Cash*

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

Under state law, the District may invest in United States bonds, treasury notes, or certificates. Investments are stated at cost.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished, as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.



**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended September 30, 2004

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F.      Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not material and therefore not included as part of the capitalized value of the assets constructed.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	10-40 years
Furniture and fixtures	5 - 12 years
Equipment	5 -15 years

**G.      Long Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, 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 reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended September 30, 2004

**Note 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**I.      Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or legally segregated by outside parties for a specific future use.

**J.      Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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 statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2      DEPOSITS**

At September 30, 2004, the District has book balances of \$738,232 and bank balances (all deposits) of \$764,777. These deposits are stated at cost, which approximates market. Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). 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 District's deposits are secured from risk by \$462,951 of federal deposit insurance and \$2,230,185 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**Note 3      AD VALOREM TAXES**

Ad valorem taxes assessed for operation and maintenance and payment of general obligation bonds attach as an enforceable lien on property as of January 1 of each year. Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise, and moveable property located in the District's boundaries.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended September 30, 2004

**Note 3      AD VALOREM TAXES (CONTINUED)**

Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at the percentages of actual value as specified by Louisiana law.

A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2004. Taxes are due and payable December 31 with interest being charged. Lien date for all delinquent properties is April 1. The St. Mary Parish Sheriff bills and collects property taxes for the Commission using the assessed values determined by the tax assessor St. Mary Parish. Commission property tax revenues are budgeted in the year billed.

The tax rate for the year ended September 30, 2004 was 13 mills assessed valuation on property within St. Mary Parish Recreation District No. 2 for the purpose of maintaining and operating the facilities and programs, and 7.3 mills for the purpose of payment of general long term debt principal, interest, and related costs for the District. These property taxes were levied and billed November 1, 2003 and were due and payable by December 31, 2003.

**Note 4      COMPENSATION OF BOARD MEMBERS**

As of September 30, 2003 or during the year then ended, the following individuals served on the Board of Commissioners and were paid per diem allowances as scheduled:

NAME	MONTHS OF SERVICE	PER DIEM RECEIVED
Richard Martin	12	\$120
Alvin Wilkerson	12	120
Edward Thomas	12	120
Lee O. Bobb	12	120
Philip Dural, Jr.	12	120
<b>TOTAL</b>		<b>\$600</b>

**Note 5      DUE FROM OTHER GOVERNMENTAL UNITS**

The amounts due from other governmental units consisted of December sales tax collections due from the St. Mary Parish Council to be expended by the District.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2004

**Note 6 CAPITAL ASSETS**

Capital assets and depreciation activity for the year is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
<b>Capital assets, not being depreciated</b>				
Land	\$13,981	-	-	\$13,981
Construction in Progress	\$322,678-		\$322,678-	0
<b>Total not being depreciated</b>	<b>\$336,659</b>		<b>\$322,678-</b>	<b>\$13,981</b>
<b>Capital assets being depreciated</b>				
Buildings & Improvements	\$1,332,544	\$701,661		\$2,034,205
Recreation Equipment	70,806	40,469		111,275
Furniture & Office Equipment	21,737	9,394		31,131
Transportation Equipment	137,677			137,677
Kitchen Equipment	60,835	4,080	-	64,915
Maintenance Equipment	51,254	21,599	\$8,207	64,646
<b>Total being depreciated</b>	<b>\$1,674,853</b>	<b>\$777,203</b>	<b>\$8,207</b>	<b>\$2,443,849</b>

Less accumulated depreciation:

Buildings & Improvements	\$582,409	\$52,730		\$635,139
Recreation Equipment	49,974	6,342		56,316
Furniture & Office Equipment	17,204	1,290		18,494
Transportation Equipment	35,397	11,948		47,345
Kitchen Equipment	29,694	2,713		32,407
Maintenance Equipment	24,872	3,459	\$8,207	20,124
<b>Totals</b>	<b>\$739,550</b>	<b>\$78,482</b>	<b>\$8,207</b>	<b>\$809,825</b>
<b>Capital assets, net</b>	<b>\$1,271,962</b>			<b>\$1,648,005</b>

Depreciation expense of \$78,483 for the year was charged to the general government - Recreation function in the statement of activities.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2004

**Note 7      LONG TERM DEBT**

**General Obligation Refunding Bonds, Series 1993**

These bonds are secured by ad valorem taxes assessed on all property in the boundaries of the District. The District has accumulated sufficient resources in the Debt Service Fund to retire the outstanding principal and interest on the 1993 General Obligation Refunding Bonds; therefore, the remaining principal and interest has been recorded as current year debt service fund expenditures and liabilities. The principal and interest amounts are recorded as current in the statement of net assets. The following schedule reconciles current year bond principal and interest record as expenditures on the 1993 issue:

	Payable 9/30/03	Debt Incurred	Debt Retired	Payable 9/30/04
General Obligation Refunding Bonds, Series 1993	280,000		\$85,000	\$195,000

Following is a summary of bond principal maturities and interest requirements for the 1993 General Obligation Refunding Bonds:

Maturity	Principal	Interest	Total
2005	95,000	7,559	102,559
2006	100,000	2,563	102,563
<b>Totals</b>	<b>\$195,000</b>	<b>\$10,122</b>	<b>\$205,122</b>

**General Obligations Bonds, Series 2002**

On July 20, 2002, taxpayers approved an issuance of bonds and the levy of a special tax to issue \$1,100,000 of 15 year general obligation bonds of the District for constructing, purchasing and acquiring lands, buildings, equipment, and other facilities to be used in providing recreational facilities for the District.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**

For the year ended September 30, 2004

**Note 7      LONG TERM DEBT (CONTINUED)**

**General Obligations Bonds, Series 2002 (continued)**

A summary of changes in long-term-debt of the District is as follows:

	Payable 9/30/03	Debt Incurred	Debt Retired	Payable 9/30/04
General Obligations Bonds, Series 2002	\$1,050,000	-	\$50,000	\$1,000,000

The annual requirements, including interest, to amortize all long-term debt outstanding are as follows:

Maturity	Principal	Interest	Total
2005	55,000	42,733	97,733
2006	60,000	39,915	99,915
2007	60,000	36,975	96,975
2008	65,000	33,912	98,912
2009	65,000	31,053	96,053
2010-2014	400,000	111,176	511,176
2015-2017	295,000	21,006	316,006
<b>Totals</b>	<b>\$1,000,000</b>	<b>\$316,770</b>	<b>\$1,316,777</b>

**NOTE 8      ON-BEHALF PAYMENTS FOR FRINGE BENEFITS**

Property tax revenues include amounts withheld by the Sheriff to make "on-behalf payments for fringe benefits" which represents the District's pro-rata share of retirement plan contributions for other governmental units. Because the District is one of several governmental agencies receiving proceeds from a property tax assessment, it has to bear a pro-rata share of the pension expense relating to the public employees who participate in the Parochial Employees Retirement System.

**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**NOTES TO FINANCIAL STATEMENTS**  
For the year ended September 30, 2004

**NOTE 8      ON-BEHALF PAYMENTS FOR FRINGE BENEFITS (CONTINUED)**

The District's pro-rata share of the required contribution (\$13,896) that was withheld by the Sheriff from property tax collections to satisfy the District's obligation has been presented as "Pension - ad valorem" in the expenditure of the General and Debt Service funds in these financial statements. The District has also increased its property tax revenues by the same amount of the expenditure.

**NOTE 9      RISK MANAGEMENT**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years.

**NOTE 10     CONTINGENT LIABILITY - SURPLUS DEBT SERVICE FUNDS**

It is the opinion of the Office of the Attorney General of the State of Louisiana that after general obligation bonds have been paid in full, surplus ad valorem tax revenues attributable to the bonds, should be returned to the taxpayers ratably, if practicable. If the expenses of such a return make this impractical, the excess revenues should be used for the purpose similar to that for which the bonds were authorized. In this case, for capital purposes related to the recreation facility as stated in the proposition approved by the voters. At year-end, the District had accumulated surplus funds in the amount of \$28,754 in the debt service funds for the retirement of the General Obligation Refunding Bonds, Series 1993. These funds are in excess of all remaining principal and interest payments of the bond issue. The Board of Commissioners is considering the procedures necessary to pay off the outstanding bond obligations as well as the procedures to be considered in determining if a tax refund is practicable. The surplus funds will remain in the debt service fund until the Board of Commissioners has determined which of the procedures will be carried out.

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***REQUIRED SUPPLEMENTAL  
INFORMATION***



**RECREATION DISTRICT No. 2 OF THE PARISH OF ST. MARY  
STATE OF LOUISIANA**

**Budget Comparison Schedule - General Fund  
For the Year Ending September 30, 2004**

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final		
<b>REVENUES</b>				
Ad Valorem Taxes	\$ 180,000	\$ 275,000	\$ 275,522	\$ 522
Sales tax allocation	45,000	52,000	54,725	2,725
Interest	-	2,000	2,642	642
Rental & activity income	4,000	5,000	5,811	811
Other	-	-	209	209
Total Revenues	<u>229,000</u>	<u>334,000</u>	<u>338,909</u>	<u>4,909</u>
<b>EXPENDITURES</b>				
General government - current:				
Salaries and wages	80,136	77,136	72,914	4,222
Fringe benefits	11,000	14,000	13,427	573
Commissioners per diem	900	900	600	300
Insurance	35,000	36,500	36,572	(72)
Utilities and telephone	28,800	27,800	25,682	2,118
Legal, accounting and professiona	6,000	10,000	10,985	(985)
Supplies and office	22,800	16,400	10,752	5,648
Repairs and maintenance	29,200	43,700	41,733	1,967
Truck, bus and tractor expenses	13,000	9,000	7,947	1,053
Summer program costs	7,200	6,200	5,343	857
Public relations	3,000	1,000	718	282
Pension - ad valorem tax	-	9,000	8,956	44
Other	13,000	13,345	6,740	6,605
Total current expenditures	<u>250,036</u>	<u>264,981</u>	<u>242,369</u>	<u>22,612</u>
Capital Expenditure	<u>110,000</u>	<u>108,000</u>	<u>101,732</u>	<u>6,268</u>
Total expenditures	<u>360,036</u>	<u>372,981</u>	<u>344,101</u>	<u>15,935</u>
Excess (deficiencies) of revenues over expenditures	(131,036)	(38,981)	(5,192)	33,789
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)	15,000	-	-	-
Net changes in fund balance	(116,036)	(38,981)	(5,192)	33,789
<b>FUND BALANCES</b>				
Beginning of year	120,000	232,332	232,332	-
Ending of year	<u>\$ 3,964</u>	<u>\$193,351</u>	<u>\$ 227,140</u>	<u>\$ 33,789</u>

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***REPORTS REQUIRED BY GOVERNMENT  
AUDITING STANDARDS***



# STAGNI & COMPANY, LLC

## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Commissioners  
Recreation District No. 2 of the Parish of St. Mary  
State of Louisiana  
Morgan City, Louisiana

We have audited the basic financial statements of the Recreation District No. 2 of the Parish of St. Mary as of and for the year ended September 30, 2004, and have issued our report thereon dated February 18, 2005. 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.

### **Compliance**

As part of obtaining reasonable assurance about whether the Recreation District No. 2 of the Parish of St. Mary's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Recreation District No. 2 of the Parish of St. Mary's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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To the Board of Commissioners  
Recreation District No. 2 of the Parish of St. Mary  
Page 2 of 2

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Commissioners, and the Legislative Auditor 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.

*Stagni & Company*

Thibodaux, Louisiana  
February 18, 2005



**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2004**

We have audited the basic financial statements of the Recreation District No. 2 of the Parish of St. Mary as of and for the year ended September 30, 2004 and have issued our report thereon dated February 18, 2005. 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. Our audit of the basic financial statements resulted in an unqualified opinion.

**Section I - Summary of Auditor's Reports**

**a. Report on Internal Control and Compliance Material to the Financial Statements**

**Internal Control**

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

**Compliance**

Compliance Material to Financial Statements  Yes  No

**b. Federal Awards – Not Applicable**

**Internal Control**

Material Weaknesses  Yes  No Reportable Conditions  Yes  No

**Type of Opinion On Compliance** Unqualified  Qualified   
**For Major Programs** Disclaimer  Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?  Yes  No

**c. Identification of Major Programs – Not Applicable**

CFDA Number (s)	Name of Federal Program (or Cluster)
Dollar threshold used to distinguish between Type A and Type B Programs: N/A	
Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? <input type="checkbox"/> Yes <input type="checkbox"/> No	

**Section II - Financial Statement Findings**

NOT APPLICABLE

**Section III Federal Award Findings and Questioned Costs**

NOT APPLICABLE



**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**

Status of Prior Audit Findings  
For the Year Ended September 30, 2004

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NOT APPLICABLE

Section III - Management Letter:

<b>2003-1</b>	<b>2003</b>	<b>Budget Compliance</b> Recreation District No. 2 did not publish notice of advertisement for the 2003 proposed budget - proposed expenditures were over \$250,000.	<b>Resolved</b>
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**RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY**

**Corrective Action Plan**

For the Year Ended September 30, 2004

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NONE

Section III - Management Letter:

NONE