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RECREATION DISTRICT NO. 1 OF ST. TAMMANY PARISH
MANDEVILLE, LOUISIANA

FINANCIAL STATEMENTS AND AUDITORS'
REPORT WITH SUPPLEMENTAL INFORMATION

DECEMBER 31, 1998 AND 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 7-28-99

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

We have audited the accompanying component unit financial statements of the Recreation District No. 1 of St. Tammany as of December 31, 1998 and for the years ended December 31, 1998 and 1997, as listed in the table of contents. These financial statements are the responsibility of the Recreation District No. 1 of St. Tammany's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the 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 opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of the Recreation District No. 1 of St. Tammany, Louisiana, at December 31, 1998, and the results of its operations and cash flows for its proprietary fund type for the two years then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the component unit financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Recreation District No. 1 of St. Tammany, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements.

Recreation District No. 1 of St. Tammany has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, Disclosures about Year 2000 Issues, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the District is or will become year 2000 compliant, that the District's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the District does business are or will become year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated May 12, 1999, on our consideration of the Recreation District No. 1 of St. Tammany's internal control over financial reporting and on its compliance with laws and regulations.

Smith, Hural & Associates, L.L.C.

May 12, 1999

Recreation District No. 1 of St. Tammany Parish, Louisiana
COMBINED BALANCE SHEET -
ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1998

	Governmental Fund Types			Account Groups			Total
	General	Debt Service	Capital Projects	Proprietary Fund Type	General Fixed Assets	General Long-term Debt	
ASSETS							
Cash and cash equivalents	\$ 332,442	\$ 583,075	\$ 1,541,472	\$ 44,932	\$ -	\$ -	\$ 2,501,921
Investments	830,316		223,791				1,054,107
Ad valorem taxes receivable	901,821	952,215					1,854,036
Due from State of Louisiana	35,648			409			35,648
Property, plant and equipment, (net)					12,683,598		12,684,007
Amount available in debt service fund						1,535,290	1,535,290
Amount to be provided for estimated liability of compensated absences						15,540	15,540
Amount to be provided for retirement of general long-term debt						9,589,710	9,589,710
Total Assets	<u>\$ 2,100,227</u>	<u>\$ 1,535,290</u>	<u>\$ 1,765,263</u>	<u>\$ 45,341</u>	<u>\$ 12,683,598</u>	<u>\$ 11,140,540</u>	<u>\$ 29,270,259</u>
LIABILITIES							
Accrued salaries and payroll taxes	\$ 21,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,392
Accounts and retainage payable	4,087		730,545				734,632
Estimated liability for compensated absences						15,540	15,540
General obligation bonds						11,125,000	11,125,000
Other liabilities	300						300
Total Liabilities	<u>25,779</u>	<u>-</u>	<u>730,545</u>	<u>-</u>	<u>-</u>	<u>11,140,540</u>	<u>11,896,864</u>
FUND EQUITY							
Investment in general fixed assets					12,683,598		12,683,598
Retained earnings - unreserved				45,341			45,341
Fund balance							
Reserved for construction of facilities			1,034,718				1,034,718
Reserved for debt service		1,535,290					1,535,290
Reserve for replacement of equipment							104,223
Unreserved	1,970,225						1,970,225
Total Fund Equity	<u>2,074,448</u>	<u>1,535,290</u>	<u>1,034,718</u>	<u>45,341</u>	<u>12,683,598</u>	<u>-</u>	<u>17,373,395</u>
Total Liabilities and Fund Equity	<u>\$ 2,100,227</u>	<u>\$ 1,535,290</u>	<u>\$ 1,765,263</u>	<u>\$ 45,341</u>	<u>\$ 12,683,598</u>	<u>\$ 11,140,540</u>	<u>\$ 29,270,259</u>

The accompanying notes are an integral part of this statement.

Recreation District No. 1 of St. Tammany Parish, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 1998

	Governmental Fund Types			Total
	General	Debt Service	Capital Projects	(Memorandum Only)
REVENUES				
Ad valorem taxes	\$ 919,156	\$ 959,527	\$	\$ 1,878,683
State revenue sharing	53,155			53,155
Interest income	52,164	28,219	364,372	444,755
Rental income	34,767			34,767
Light fees	9,503			9,503
Field preparation fees	7,982			7,982
Grant revenue	4,968			4,968
Other income	2,924			2,924
Total Revenue	<u>1,084,619</u>	<u>987,746</u>	<u>364,372</u>	<u>2,436,737</u>
EXPENDITURES				
Recreation				
Salaries	272,176			272,176
Insurance expense	62,142			62,142
Telephone & utilities	50,849			50,849
Field maintenance	38,453			38,453
Office expense	23,323			23,323
Repairs & maintenance	21,808			21,808
Payroll tax expense	17,370			17,370
Contract labor	15,897			15,897
Legal & professional	14,745			14,745
Other expense	11,820			11,820
Rent	8,276			8,276
Tools & supplies	6,424			6,424
Tree grant	5,253			5,253
Retirement	5,164			5,164
Travel & professional development	3,613			3,613
Debt Service				
Principal		380,000		380,000
Interest & fiscal charge		641,519		641,519
Capital Outlay	42,427		8,209,918	8,252,345
Total Expenditures	<u>599,740</u>	<u>1,021,519</u>	<u>8,209,918</u>	<u>9,831,177</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	484,879	(33,773)	(7,845,546)	(7,394,440)
OTHER FINANCING SOURCES & USES				
Transfers from other funds	103,312	-	-	103,312
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	588,191	(33,773)	(7,845,546)	(7,291,128)
FUND BALANCE - BEGINNING OF YEAR	<u>1,486,257</u>	<u>1,569,063</u>	<u>8,880,264</u>	<u>11,935,584</u>
FUND BALANCE - END OF YEAR	\$ <u>2,074,448</u>	\$ <u>1,535,290</u>	\$ <u>1,034,718</u>	\$ <u>4,644,456</u>

The accompanying notes are an integral part of this statement.

Recreation District No. 1 of St. Tammany Parish, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

For the Year Ended December 31, 1997

	Governmental Fund Types			Total
	General	Debt Service	Capital Projects	(Memorandum Only)
REVENUES				
Ad valorem taxes	\$ 821,349	\$ 931,563	\$	\$ 1,752,912
State revenue sharing	48,215			48,215
Interest income	31,553	30,765	458,935	521,253
Rental income	24,669			24,669
Light fees	14,484			14,484
Grant revenue	5,400			5,400
Field preparation fees	4,153			4,153
Other income	597			597
Total Revenue	<u>950,420</u>	<u>962,328</u>	<u>458,935</u>	<u>2,371,683</u>
EXPENDITURES				
Recreation				
Salaries	204,864			204,864
Insurance expense	62,301			62,301
Telephone & utilities	49,087			49,087
Field maintenance	31,687			31,687
Repairs & maintenance	16,182			16,182
Office expense	16,005			16,005
Payroll tax expense	15,440			15,440
Legal & professional	14,241			14,241
Other expense	8,974			8,974
Tree grant	7,954			7,954
Tools & supplies	5,202			5,202
Travel & professional development	4,475			4,475
Rent	4,110			4,110
Debt Service				
Principal		105,000		105,000
Interest & fiscal charge		851,119		851,119
Capital Outlay	62,931		425,680	488,611
Total Expenditures	<u>503,453</u>	<u>956,119</u>	<u>425,680</u>	<u>1,885,252</u>
EXCESS OF REVENUES OVER EXPENDITURES	446,967	6,209	33,255	486,431
OTHER FINANCING SOURCES & USES				
Transfers from other funds	33,184	-	-	33,184
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	480,151	6,209	33,255	519,615
FUND BALANCE - BEGINNING OF YEAR	<u>1,006,106</u>	<u>1,562,854</u>	<u>8,847,009</u>	<u>11,415,969</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,486,257</u>	<u>\$ 1,569,063</u>	<u>\$ 8,880,264</u>	<u>\$ 11,935,584</u>

The accompanying notes are an integral part of this statement.

Recreation District No. 1 of St. Tammany Parish

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND TYPE

For the Years Ended December 31, 1998 and 1997

	1998			1997		
	Budget	Actual	Variance- Favorable (Unfavorable)	Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:						
Ad valorem taxes	\$ 488,313	\$ 919,156	\$ 430,843	\$ 316,450	\$ 821,349	\$ 504,899
State revenue sharing	64,000	53,155	(10,845)	82,998	48,215	(34,783)
Interest income	50,350	52,164	1,814	5,200	31,553	26,353
Rental income	25,335	34,767	9,432	34,425	24,669	(9,756)
Light fees	6,155	9,503	3,348	7,220	14,484	7,264
Field preparation fees	4,575	7,982	3,407	13,600	4,153	(9,447)
Grant revenue	2,500	4,968	2,468	8,000	5,400	(2,600)
Other income	3,045	2,924	(121)	5,320	597	(4,723)
Total Revenue	644,273	1,084,619	440,346	473,213	950,420	477,207
Recreation Expenditures:						
Salaries	279,852	272,176	7,676	212,847	204,864	7,983
Insurance expense	58,111	62,142	(4,031)	46,302	62,301	(15,999)
Telephone & utilities	47,086	50,849	(3,763)	36,966	49,087	(12,121)
Field maintenance	74,433	38,453	35,980	48,633	31,687	16,946
Office expense	34,543	23,323	11,220	22,949	16,005	6,944
Repairs & maintenance	15,212	21,808	(6,596)	11,660	16,182	(4,522)
Payroll tax expense	20,807	17,370	3,437	16,282	15,440	842
Contract labor	28,720	15,897	12,823			
Legal & professional	20,150	14,745	5,405	18,850	14,241	4,609
Other expense	2,890	11,820	(8,930)	12,552	8,974	3,578
Rent	6,500	8,276	(1,776)	6,000	4,111	1,889
Tools & supplies	3,890	6,424	(2,534)	5,476	5,202	274
Tree grant	4,000	5,253	(1,253)	12,755	7,954	4,801
Retirement	3,300	5,164	(1,864)			
Travel & professional development	6,989	3,613	3,376	10,816	4,475	6,341
Capital Outlay	60,541	42,427	18,114	73,712	62,930	10,782
Total expenditures	667,024	599,740	67,284	535,800	503,453	32,347
EXCESS OF REVENUES OVER EXPENDITURES	(22,751)	484,879	507,630	(62,587)	446,967	509,554
OTHER FINANCING SOURCES & USES						
Transfers from other funds	53,307	103,312	50,005	25,820	33,184	7,364
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	\$ 30,556	\$ 588,191	\$ 557,635	\$ (36,767)	\$ 480,151	\$ 516,918
FUND BALANCE - BEGINNING OF PERIOD		1,486,257			1,006,106	
FUND BALANCE - END OF PERIOD	\$	\$ 2,074,448	\$	\$	\$ 1,486,257	\$

The accompanying notes are an integral part of this statement.

Recreation District No. 1 of St. Tammany Parish, Louisiana

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE

For the Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Operating revenues		
Registration fees	\$ 299,874	\$ 94,307
Concession sales	31,409	58,069
Other	22,585	-
Sponsorships	21,709	-
Vending commissions	9,843	12,584
Total operating revenues	<u>385,420</u>	<u>164,960</u>
Operating expenses		
Officials and scorers	85,442	24,490
Uniforms	79,680	15,625
Salaries and benefits	-	14,499
Sports supplies	22,148	-
Other	21,867	4,552
Insurance	18,780	5,076
Concession goods	14,269	37,951
Rent	9,803	3,749
Awards	8,015	2,171
Refunds	7,350	995
Contract labor	5,612	-
Utilities	1,422	1,159
Depreciation	809	1,047
Total operating expenses	<u>275,197</u>	<u>111,314</u>
Net operating income	110,223	53,646
Non-operating income (expenses)		
Interest income	4,225	1,096
Operating transfer to General Fund	(103,312)	(33,184)
Total non-operating income (expense)	<u>(99,087)</u>	<u>(32,088)</u>
Net income	11,136	21,558
Retained earnings - beginning of year	<u>34,205</u>	<u>12,647</u>
Retained earnings - ending of year	<u>\$ 45,341</u>	<u>\$ 34,205</u>

The accompanying notes are an integral part of this statement.

Recreation District No. 1 of St. Tammany Parish

COMBINED STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the Years Ended December 31, 1998 and 1997

	<u>1998</u>	<u>1997</u>
Cash flows from operating activities		
Net operating income	\$ 110,223	\$ 53,646
Adjustments to reconcile net operating income to		
Net cash provided by operating activities		
Depreciation	809	1,047
Decrease in inventory		2,039
Decrease (increase) in due from other funds	173	(173)
Decrease (increase) in accounts receivable	849	(849)
Decrease in sales tax payable		(1,889)
Operating transfer to General Fund	<u>(103,312)</u>	<u>(33,184)</u>
Net cash provided by operating activities	8,742	20,637
Cash flows from investing activities		
Interest received	4,225	1,096
Cash flows from capital and related financing activities		
Loss on disposal of fixed assets	<u>-</u>	<u>258</u>
Net increase in cash and cash equivalents	12,967	21,991
Cash and cash equivalents at the beginning of the year	<u>31,965</u>	<u>9,974</u>
Cash and cash equivalents at the end of the year	<u>\$ 44,932</u>	<u>\$ 31,965</u>

The accompanying notes are an integral part of this statement.

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recreation District No. 1 of St. Tammany (the District) provides recreational facilities for youth and adult sports programs to the residents in the Mandeville, Louisiana area. The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. The following is a summary of significant accounting policies:

1. Reporting Entity

The District was created in 1975 by Ordinance 623 of the St. Tammany Parish Police Jury. The District is governed by a Board of Commissioners which are appointed by the St. Tammany Parish Police Jury. Each commissioner serves a term of five years.

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

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the St. Tammany Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit with the reporting entity is financial accountability.

The District is a component unit of the Parish because the Police Jury appoints all members of the District and as such is financially accountable for the District. However, the Parish governing authority has elected to not report the District in its annual financial statements which is a departure from generally accepted accounting principles. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by that governmental unit, or the governmental units that comprise the financial reporting entity.

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of operations. Fund accounting is designed to demonstrate legal compliance and to aid the financial management by segregating transactions relating to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds of the District are classified into two categories: governmental and proprietary.

Governmental Funds

Governmental funds account for the District's general activities including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long term debt. Governmental funds of the District include the following:

1. General Fund - the general operating fund of the District and accounts for all financial resources except those required to be accounted for in other funds.
2. Debt Service Fund - account for transactions relating to resources retained and used for the payment of principal and interest on those long-term obligations recorded in the general long-term debt account group.
3. Capital Projects Fund - account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in other governmental funds.

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary Funds

Enterprise Fund - The Enterprise Fund is used to account for operations that (a) are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

3. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available. Ad valorem taxes are considered measurable when taxes are levied and are recognized as revenue at that time. Grants from other governments are recognized when qualifying expenditures are incurred.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated unvested sick pay which is not accrued; and (2) principal and interest on general long-term debt which is recognized when due.

All proprietary funds are accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred.

4. Budgets and Budgetary Accounting

The District has adopted a budget for its general fund. The budgetary practices include notice of the proposed budget, public inspection of the proposed budget and public hearings on the budget prior to adoption. Any amendment involving increases in expenditures must be approved by the District. Budgeted amounts in the accompanying financial statements include all amendments. All budgeted amounts which are not expended or obligated through contracts, lapse at year end. The District's

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

budget is materially consistent with generally accepted accounting principles.

5. Cash and Cash Equivalents and Investments

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

Under state law, 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 are stated at cost.

6. Fixed Assets

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical costs.

Fixed assets used in the proprietary fund operations are included on the balance sheet of the funds net of accumulated depreciation. Depreciation of all exhaustible fixed assets used by proprietary fund operations is charged as an expense against operations. Depreciation is computed using the straight line method.

7. Compensated Absences

Employees accrue vacation leave at the various rates per year depending on years of service. At the end of the year, any remaining vacation days may be carried forward to the next year upon approval by the executive director. Employees accrue sick leave at various rates per year depending on years of service. Sick leave is cumulative but is not paid upon termination of employment. At December 31, 1998, the District has recorded \$15,540 in compensated absences payable.

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Long-term Obligations

Long-term obligations expected to be financed from governmental funds are reported in the general long-term debt account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

9. Total Column on Combined Statements

The total column on the combined statements - overview is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations, in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - EXPENDITURES - ACTUAL AND BUDGET

For the years ended December 31, 1998 and 1997, the general fund had budgeted expenditures in excess of actual expenditures there by meeting the requirements of Louisiana Revised Statute 39:1310 for both years.

NOTE C - CASH AND CASH EQUIVALENTS

The following is a summary of cash and cash equivalents (book balances) at December 31, 1998:

Demand deposits	<u>\$ 2,501,921</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 1998, the District has \$2,886,520 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 in federal deposit insurance and \$2,296,383 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). The remaining balance of \$490,137 is not secured by the pledge of securities and is a violation of state law.

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE D - AD VALOREM TAXES

Property taxes for the operations and bond debt service of the District are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the St. Tammany Parish Assessor's Office and the State Tax Commission at 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, 1996. Taxes are due and payable December of the following year.

NOTE E - INVESTMENTS

Investments of \$1,054,107 which is stated at cost which approximates market as of December 31, 1998 consists of \$15,000 in Series EE bonds and 1,039,107 in the Louisiana Asset Management Pool Inc. (LAMP), a local government investment pool. In accordance with GASB Codification Section 150.165, the investment in LAMP is not categorized in the three risk categories provided by GASB because the investment is in a pool of funds and thereby not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, and is governed by a board of directors comprised of representatives from various local governments and state wide professional organizations. Only local governments 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. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities; as well as repurchase agreements collateralized by those securities. 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.

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE F - FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January 1, <u>1997</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>1997</u>
Equipment	\$ 165,262	\$ 43,412	\$ -	\$ 208,674
Park land and improvements	3,808,221	93,738	-	3,901,959
Construction in progress	<u>-</u>	<u>331,942</u>	<u>-</u>	<u>331,942</u>
Totals	<u>\$3,973,483</u>	<u>\$ 469,092</u>	<u>\$ -</u>	<u>\$ 4,442,575</u>

	Balance January 1, <u>1998</u>	<u>Additions</u>	<u>Deletions</u>	Balance December 31, <u>1998</u>
Equipment	\$ 208,674	\$ 31,105	\$ -	\$ 239,779
Park land and improvements	3,901,959	35,302	-	3,937,261
Construction in progress	<u>331,942</u>	<u>8,174,616</u>	<u>-</u>	<u>8,506,558</u>
Totals	<u>\$4,442,575</u>	<u>\$8,241,023</u>	<u>\$ -</u>	<u>\$ 12,683,598</u>

NOTE G - PENSION PLAN

Starting in 1998, substantially all employees of the District are members of the District Employees Retirement System of Louisiana (System). The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the district are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from district funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 per cent of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established by state statute.

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE G - PENSION PLAN (CONTINUED)

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the District Employees Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

Funding Policy. Under Plan A, members are required by state statute to contribute 9.25 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current rate is 5.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except in Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District required contributions to the System under Plan A for the year ending December 31, 1998, was \$5,164, equal to the required contributions for the year.

NOTE H - LONG-TERM DEBT

The following is a summary of the changes in general long-term debt account group for the years ended December 31, 1998 and 1997:

	General Obligation Bonds	Compensated Absences	Total
Bonds Payable at 1/01/97	\$ 11,610,000	\$ 27,070	\$ 11,637,070
Bonds Issued	-	-	-
Bonds Retired	<u>105,000</u>	<u>11,961</u>	<u>116,961</u>
Bonds Payable at 12/31/97	11,505,000	15,109	11,520,109
Bonds Issued	-	431	431
Bonds Retired	<u>380,000</u>	<u>-</u>	<u>380,000</u>
Bonds Payable at 12/31/98	<u>\$ 11,125,000</u>	<u>\$ 15,540</u>	<u>\$ 11,140,540</u>

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE II - LONG-TERM DEBT (CONTINUED)

Bonds payable at December 31, 1998 are comprised of the following individual bonds:

\$1,610,000 General obligation refunding bonds dated November 21, 1995 with annual principal and semiannual interest payments at 4.25 to 5.6% through March 1, 2008	\$ 1,545,000
\$9,850,000 General obligation bonds dated 3/1/96; due in annual installments through March 1, 2016 including interest at 8.0% to 5.2%.	<u>9,580,000</u>
	<u>\$11,125,000</u>

General obligation bonds are secured by an annual ad valorem tax levy. In accordance with Louisiana Revised Statute 39:562, the District is legally restricted from incurring long term bonded debt in excess of 10% of the assessed value of taxable property in the district. At December 31, 1998 the District had not exceeded this statutory limit.

The following is a schedule of future principal debt service requirements:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>
1999	\$ 420,000
2000	450,000
2001	480,000
2002	515,000
2003	545,000
Thereafter	<u>8,715,000</u>
	<u>\$ 11,125,000</u>

RECREATION DISTRICT NO. 1 OF ST. TAMMANY
MANDEVILLE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

December 31, 1998

NOTE I - COMMITMENTS

As of December 31, 1998, the District has executed construction contracts in progress totaling \$9,068,262 of which \$7,802,145 had been paid out, leaving \$1,266,117 remaining on the contracts.

NOTE J - LEASE

The District has entered into a lease for land with the State of Louisiana dated September 1, 1995 for a term of ten years. The lease is accounted for as an operating lease whereby rental payments are recorded as operating expenditures when paid. Total payments on this lease were \$8,276 and \$4,111 for the years ended December 31, 1998 and 1997 respectively. Due to the variable terms of the lease, a schedule of future maturities cannot be presented at this time.

NOTE K - PRIOR YEARS' DEBT DEFEASANCE

In prior years, the District defeased the 1988 general obligation bond issue by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. Government securities that were placed in the trust funds. The investments and fixed earnings from those investments are sufficient to fully service the defeased debt until the debt is called or matured. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's General Long Term Debt Account Group. The amount of the defeased debt that was removed from the General Long-Term Debt Account Group amounted to \$1,465,000.

OTHER SUPPLEMENTAL INFORMATION

Recreation District No. 1 of St. Tammany Parish
 COMBINING BALANCE SHEET - PROPRIETARY FUND TYPE
 December 31, 1998

	Sports	Concessions	Total
Assets			
Cash	\$ 38,282	\$ 6,650	\$ 44,932
Equipment - net of accumulated depreciation		409	409
Total assets	\$ 38,282	\$ 7,059	\$ 45,341
Fund Equity			
Retained Earnings	\$ 38,282	\$ 7,059	\$ 45,341

Recreation District No. 1 of St. Tammany

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS - PROPRIETARY FUND TYPE

For the Years Ended December 31, 1998 and 1997

	1998			1997		
	Sports	Concessions	Total	Sports	Concessions	Total
Operating Revenues						
Registration fees	\$ 299,874	\$ 31,409	\$ 299,874	\$ 94,307	\$ 58,069	\$ 94,307
Concession sales	22,585	21,709	22,585			58,069
Other	21,709		21,709			
Sponsorships		9,843	9,843		12,584	12,584
Vending commissions		41,252	41,252		70,653	70,653
Total operating revenues	344,168		385,420	94,307		164,960
Operating Expenses						
Concession goods		14,269	14,269		37,951	37,951
Officials and scorers	85,442		85,442	24,490		24,490
Uniforms	79,680		79,680	15,625		15,625
Salaries and benefits		-	-		14,499	14,499
Sports supplies	22,148		22,148			
Other	21,867		21,867			4,552
Insurance	18,780		18,780	5,076		5,076
Rent	9,803		9,803	3,749		3,749
Awards	8,015		8,015	2,171		2,171
Refunds	7,350		7,350	995		995
Contract labor		5,612	5,612		1,159	1,159
Utilities		1,422	1,422		1,047	1,047
Depreciation		809	809			
Total operating expenses	253,085	22,112	275,197	56,658	54,656	111,314
Net operating income	91,083	19,140	110,223	37,649	15,997	53,646
Non-operating income (expenses)						
Interest income	4,026	199	4,225	668	428	1,096
Operating transfer to General Fund	(87,294)	(16,018)	(103,312)	(9,184)	(24,000)	(33,184)
Total non-operating income (expenses)	(83,268)	(15,819)	(99,087)	(8,516)	(23,572)	(32,088)
Net Income	7,815	3,321	11,136	29,133	(7,575)	21,558
Retained earnings - beginning of year	30,467	3,738	34,205	1,334	11,313	12,647
Retained earnings - ending of year	\$ 38,282	\$ 7,059	\$ 45,341	\$ 30,467	\$ 3,738	\$ 34,205

Recreation District No. 1 of St. Tammany

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE

For the years ended December 31, 1998 and 1997

	1998			1997		
	Sports	Concessions	Total	Sports	Concessions	Total
Cash flows from operating activities						
Net operating income	\$ 91,083	\$ 19,140	\$ 110,223	\$ 37,649	\$ 15,997	\$ 53,646
Adjustments to reconcile net operating income to net cash provided by operating activities						
Depreciation		809	809		1,047	1,047
Decrease in inventory					2,039	2,039
Decrease (increase) in due from other funds		173	173		(173)	(173)
Decrease (increase) in accounts receivable		849	849		(849)	(849)
Decrease in sales tax payable					(1,889)	(1,889)
Operating transfer to General fund	(87,294)	(16,018)	(103,312)	(9,184)	(24,000)	(33,184)
Net cash provided (used) by operating activities	3,789	4,953	8,742	28,465	(7,828)	20,637
Cash flows from investing activities						
Interest received	4,026	199	4,225	668	428	1,096
Cash flows from capital and related financing activities						
Loss on disposal of fixed assets	-	-	-	-	258	258
Net increase (decrease) in cash and cash equivalents	7,815	5,152	12,967	29,133	(7,142)	21,991
Cash and cash equivalents at the beginning of the year	30,467	1,498	31,965	1,334	8,640	9,974
Cash and cash equivalents at the end of the year	\$ 38,282	\$ 6,650	\$ 44,932	\$ 30,467	\$ 1,498	\$ 31,965

Recreation District No. 1 of St. Tammany
Mandeville, Louisiana

SCHEDULE OF GOVERNING BOARD

December 31, 1998

Governing Board

<u>Board of Commissioners</u>	<u>Term of Office</u>	<u>Compensation</u>
Nixon Adams, Chairman 250 Dona Dr. Mandeville, LA 70448	April 5, 2002	None
Ben Motion, Vice-Chairman 153 Tchefuncte Dr. Covington, LA 70433	April 23, 2003	None
Conrad Madden 118 Woodside Dr. Mandeville, LA 70448	March 16, 2001	None
Tony Oramous, Sr. 1736 Claiborne St. Mandeville, LA 70448	April 18, 2001	None
Joe FitzPatrick, D.D.S. 110 Pine St. Covington, LA 70433	April 1, 2004	None
Stephen Meyer, M.D. 102 Fox Run Dr. Mandeville, LA 70471	May 20, 2002	None
Bridget Jarvis 129 Lamarque St. Mandeville, LA 70448	April 16, 2000	None

Smith, Huval & Associates, L.L.C.

(A LIMITED LIABILITY COMPANY)

Certified Public Accountants

P.O. Box 1660

Covington, Louisiana 70434-1660

Samuel K. Smith, CPA
Patrick "Bryan" Huval, CPA

(504) 892-6633 - Covington
(504) 892-4666 - FAX

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. 1 of St. Tammany

We have audited the component unit financial statements of the Recreation District No. 1 of St. Tammany, as of December 31, 1998 and for the years ended December 31, 1998 and 1997, and have issued our report thereon dated May 12, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As part of obtaining reasonable assurance about whether the Recreation District No. 1 of St. Tammany's component unit 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 determinations 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* which is described in the following paragraph.

Louisiana Revised Statute 39:1221 requires that the fiscal bank for governmental entities maintain total federal deposit insurance coverage and pledged securities at least equal to the entity's total deposits on hand. At December 31, 1998, the District had deposits in bank of \$2,886,520 which is covered by \$100,000 in federal deposit insurance and \$2,296,383 of pledged securities. The remaining unsecured balance of \$490,137 is a violation of this statute. The District should institute procedures whereby deposit collateralization is monitored on a periodic basis.

In planning and performing our audit, we considered Recreation District No. 1 of St. Tammany's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit 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. 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 component unit 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 for the information of management and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Smith, Huval & Associates, L.L.C.

May 12, 1999

Recreation District No. One of St. Tammany Parish

Chairman: Nixon Adams
Vice Chairman: Ben Motion
Commissioner: Bridget Jarvis
Commissioner: Conrad Madden
Commissioner: Tom Gramous
Commissioner: Joe FitzPatrick, D.D.S.
Commissioner: Stephen P. Meyer, M.D.
Director: Kathy Foley

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June 27, 1999

Dr. Daniel Kyle
La Legislative Auditor
1600 N. Third Street
P.O. Box 70804
Baton Rouge, La 70804

Dear Dr. Kyle,

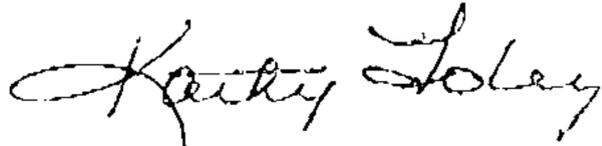
This letter is in response to the issue of noncompliance of statute 39:1221 requiring the fiscal bank of governmental entities to maintain total federal deposit insurance coverage and pledged securities at least equal to the entity's total deposits on hand.

Unfortunately, the Recreation District bank has changed ownership frequently in the past few years. Originally the bank was First Bank, it was then purchased by FNBC and most recently FNBC was purchased by Bank One. The staff has changed frequently and we do not have the same personal service that we have become accustomed to over the past 10 years.

Since the problem has been identified we have taken the following steps to ensure that this lack of pledged securities does not happen again. First we have talked with Bank One and they have assured us that this will not happen again. Second we will establish internal controls, we will be calling the Bank on a monthly basis to verify the pledged amount and include this in our monthly financial reports. Third, when our CPA/accountant makes a large transfer from the LAMP fund, she will notify the bank of the deposit, so they can insure that there is sufficient amount of pledged securities.

If you have need of any additional information or have any other suggestions, please feel free to contact me.

Sincerely yours,

A handwritten signature in cursive script that reads "Kathy Foley". The signature is written in black ink and is positioned above the typed name.

Ms. Kathy Foley
Director

Cc: Glennel (Park CPA/Accountant)
Board
Smith, Huval and Assoc.