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

REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS

FOR THE YEARS ENDED
SEPTEMBER 30, 1994 AND 1995

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, orally and in writing, to all public officials. This 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 12B.2.6.997

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying general purpose financial statements of Recreation District No. 2, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 1996 and 1995, as listed in the table of contents. These financial statements are the responsibility of the District'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 and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Recreation District No. 2 as of September 30, 1996 and 1995, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated January 14, 1997 on our consideration of Recreation District No. 2's internal control structure and a report dated January 14, 1997 on its compliance with laws and regulations.

LeBlanc and Carpenter

Morgan City, Louisiana
January 14, 1997

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

Combined Balance Sheets - All Fund Types

September 30, 1988

	<u>Governmental Fund Types</u>	
	General Operations	Debt Service
ASSETS		
Cash	\$ 7,317	\$ 7,718
Investments	--	84,822
Receivables		
sales tax allocation -		
St. Mary Parish Council	38,325	--
Due from other funds	28,938	--
Prepaid expenses	5,764	--
Property, plant and equipment	--	--
Amount available for debt retirement	--	--
Funds to be provided for retirement of general long-term debt	--	--
TOTAL ASSETS	\$76,344	\$102,540
LIABILITIES		
Accounts payable and payroll taxes due to other funds	\$ 3,451	\$ --
Bonds payable - Series 1988	--	28,938
Refund bonds payable - Series 1993	--	--
TOTAL LIABILITIES	3,451	28,938
FUND EQUITY		
Investment in general fixed assets	--	--
Fund balances		
Reserved for debt service	--	72,302
Reserved for replacements	--	--
Unreserved and undesignated	73,383	--
TOTAL FUND EQUITY	73,383	72,302
TOTAL LIABILITIES AND FUND EQUITY	\$76,344	\$102,540

Governmental Fund Types	Account Groups		Totals	
	General Fixed Assets	General Long-Term Debt	(Nonrecording only)	
Capital Projects			1990	1991
\$10,821	\$ --	\$ --	\$ 25,816	\$ 32,784
\$1,394	--	--	248,718	259,647
--	--	--	38,325	30,943
--	--	--	24,338	23,469
--	--	--	5,784	8,824
--	1,322,889	--	1,322,889	1,362,837
--	--	77,302	77,302	83,965
<u>--</u>	<u>--</u>	<u>77,302</u>	<u>77,302</u>	<u>83,965</u>
\$42,816	\$1,322,889	\$77,302	\$2,298,388	\$2,331,515
-----	-----	-----	-----	-----
\$ --	\$ --	\$ --	\$ 3,451	\$ 4,015
--	--	--	24,838	23,469
--	--	0	0	58,098
--	--	735,600	735,000	735,000
<u>--</u>	<u>--</u>	<u>735,600</u>	<u>762,289</u>	<u>812,488</u>
--	1,322,889	--	1,322,889	1,362,837
--	--	--	77,302	83,965
\$2,015	--	--	62,015	89,491
<u>--</u>	<u>--</u>	<u>--</u>	<u>73,783</u>	<u>62,748</u>
\$2,015	\$1,322,889	\$735,600	\$2,298,388	\$2,331,515
-----	-----	-----	-----	-----

See Notes to the Financial Statements.

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

Combined Statement of Revenues, Expenditures
and Changes in Fund Balances-
All Governmental Fund Types

For the years ending September 30, 1998 and 1999

	Governmental Fund Types	
	General Oper/Maint	Debt Service
REVENUES		
Ad valorem taxes	\$ 74,346	\$ 90,019
Sales tax allocation	40,477	--
Interest income	2,257	6,287
Net activities income	<u>4,218</u>	<u>--</u>
TOTAL REVENUES	<u>121,398</u>	<u>106,316</u>
EXPENDITURES		
Salaries and wages	44,270	--
Commissioners per diem	580	--
Insurance	19,534	--
Utilities and telephone	16,345	--
Sewerage and garbage	1,734	--
Legal, accounting and audit	6,890	--
Supplies, maintenance and office	3,120	--
Repairs/maintenance	11,597	--
Fixed assets outlay	1,842	--
Replacements, repairs	--	--
Payroll taxes	3,823	--
Truck, bus, tractor expenses	2,728	--
Summer programs cost	4,570	--
Public relations	880	--
Other expenses	250	--
Bond interest and fees	--	40,883
Bond principal	<u>--</u>	<u>50,820</u>
TOTAL EXPENDITURES	<u>118,160</u>	<u>90,883</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,538	15,433
FUND BALANCE-BEGINNING OF YEAR	<u>62,344</u>	<u>62,869</u>
FUND BALANCE-END OF YEAR	\$ 73,882	\$ 78,302

Governmental Fund Types Capital Projects	Totals (Nonconting. Only)	
	2000	1999
\$ --	\$172,385	\$100,488
--	40,437	40,757
3,648	11,383	7,856
<u>--</u>	<u>4,313</u>	<u>2,408</u>
<u>3,648</u>	<u>288,163</u>	<u>268,672</u>
--	44,770	30,861
--	590	480
--	18,534	20,038
--	16,145	15,134
--	3,714	3,688
--	8,094	5,928
--	3,128	3,293
--	11,507	4,713
18,310	29,862	19,509
11,859	11,859	--
--	3,333	2,363
--	3,726	3,934
--	4,536	3,983
--	889	1,073
45	295	2,539
--	48,983	45,124
<u>--</u>	<u>58,000</u>	<u>45,000</u>
<u>30,174</u>	<u>229,437</u>	<u>208,810</u>
(27,456)	13,084	52,149
<u>28,481</u>	<u>214,188</u>	<u>168,832</u>
\$ 82,835	\$213,200	\$216,194

See Notes to the Financial Statements.

RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. BERRY
STATE OF LOUISIANA

General Fund - Operations and Maintenance
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual

For the years ending September 30, 1986 and 1985

	9-30-86			
	Budget	Actual	Favorable (Unfavorable)	1985
REVENUES				
Ad valorem taxes	\$ 65,000	\$ 74,388	\$ 9,388	\$ 70,498
Sales tax allocation	15,000	40,477	25,477	40,757
Interest income	1,820	2,267	487	2,188
TOTAL REVENUES	81,820	117,132	35,895	113,443
EXPENDITURES				
Director's salary	21,000	22,638	1,638	17,708
Maintenance salary	10,500	22,132	11,632	13,223
Insurance	20,500	19,534	966	22,034
Utilities, telephone	18,033	18,148	115	18,114
Legal and accounting	3,425	3,454	29	3,898
Audit fees	3,875	3,875	--	3,875
Manual labor	--	--	--	1,560
Public relations	800	889	89	1,473
Maintenance supplies	500	808	308	1,473
Supplies	1,200	288	912	288
Office supplies	1,200	2,838	1,638	1,422
Payroll taxes	2,500	3,523	1,023	2,367
Licenses, permits	200	85	115	308
Travel and bus	2,400	3,541	1,141	3,173
Commissions per diem	800	500	300	800
Repairs and maintenance	5,000	13,887	8,887	6,723
Tractor expenses	1,800	288	1,512	783
Summer program costs	1,800	4,570	2,770	1,983
Severage and garbage	1,500	1,734	234	1,683
Advertising	300	225	75	287
Bank charges	200	30	170	288
Capital expenditure: Facility equipment	1,800	1,852	52	4,222
TOTAL EXPENDITURES	101,862	118,360	16,498	109,862
EXCESS OF OPERATING REVENUES OVER CURRENT EXPENDITURES	80,058	6,872	2,400	30,281

	9-30-86		Favorable (Unfavorable)	1985
	Budget	Actual		
ACTIVITIES INCOME (COSTS)				
Receptions, dances, other	\$ 1,500	\$ 3,500	\$ 2,000	\$ 1,500
Costs-receptions, dances	(1,000)	(1,400)	400	(1,200)
Building rental	1,800	1,500	300	1,500
Commissions and other	300	325	25	320
NET ACTIVITIES INCOME (COSTS)	2,600	3,325	725	2,920
TOTAL EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	2,410	11,500	9,090	82,747
FUND BALANCE				
FUND BALANCE AT BEGINNING OF YEAR	62,744	62,744	—	29,597
FUND BALANCE AT END OF YEAR	\$ 65,154	\$ 74,244	\$ 8,090	\$ 62,744

See Notes to the Financial Statements.

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

Notes to Financial Statements

September 30, 1996

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recreation District No. 2 was created by an ordinance adopted by the St. Mary Parish Council on June 26, 1985. The recreation district, governed by a board of commissioners appointed by the parish council, is authorized to acquire lands, construct and maintain buildings, equipment and other facilities to be used in providing recreation facilities within the corporate boundaries of the district.

The accounting and reporting practices of the Recreation District No. 2 conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the guides set forth in the Louisiana Municipal Audit and Accounting Guide and to the industry audit guide, Audits of State and Local Governmental Units, published by the American Institute of Certified Public Accountants.

Reporting Entity

GASB Statement No. 14, Governmental Reporting Entity, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The Recreation District No. 2 is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 1996. The Recreation District No. 2 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

Fund Accounting

The accounts of the Recreation District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent. The various funds and account groups are as follows:

GOVERNMENTAL FUNDS

General Fund (Operations and Maintenance) - The General Fund is the general operating fund of the District which accounts for all financial resources except those required to be accounted for in another fund.

The General Fund is used to account for revenues and expenditures of the District required for the operation and maintenance of the facilities. The District has authority to levy a tax on all property subject to taxation in said Recreation District No. 2. The tax levy of 2.75 mills will be for a period of ten years beginning with the year 1994 and ending with the year 2003, for the purpose of operating and maintaining the recreation facilities. Also, Recreation District No. 2 will receive funds from the St. Mary Parish Council to supplement its other revenues for operation and maintenance. The Parish Council will apportion these funds out of revenues received from a three-tenths of one percent sales tax levy collected within the District.

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

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).

The District received \$183,192 in 1994 from the settlement of the protest tax litigation with regard to offshore vessels. If those funds had been timely received they would have been applied to the retirement of outstanding debt which debt has now been legally defensed. After seeking legal opinion, the Board determined to expend said funds in the same manner as the original debt proceeds were authorized and intended.

The Board of Commissioners adopted a resolution on February 8, 1995 that "all funds received from the settlement of the vessel tax litigation shall be deposited to a capital projects account, to be expended where and as required for the major replacement of components and capital improvements to the recreation building, facilities and appurtenances, and for no other use, in accordance with the opinion and recommendation of legal counsel".

ACCOUNT GROUPS

The two account groups are not "funds". They are concerned only with the measurement of financial position. They are not involved with measurement of results of operations. The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheets.

General Fixed Assets Account Group

Fixed assets are recorded as expenditures in the General Fund or the Capital Projects Fund as incurred and are capitalized at cost in the General Fixed Asset Account Group. Assets are recorded at original cost or replaced historical cost. Donated assets are recorded at their estimated fair market value on the date donated. Fixed assets acquired through General or Capital Projects Funds are not depreciated.

General Long-Term Debt Account Group

Long-term liabilities reported to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group.

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 as net current assets. The receivable for sales tax revenue is recognized when collected by the St. Mary Parish Council and available as a current asset. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except that principal and interest on general long-term debt is recognized when due. Purchase of various operating supplies are regarded as expenditures at the time purchased.

Budgets and Budgetary Accounting

The recreation district No. 2 follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the Operations and Maintenance Fund. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP), which for the operations and maintenance fund is the accrual basis of accounting.
- b. The Operations and Maintenance Fund Statement of Revenue, Expenditures, and Changes in Fund Balances - Budget and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

- c. The District approves and adopts total budget revenue and expenditures only. The District transfers budget amounts between expenditure classifications within the fund. Therefore, the level of budgetary responsibility is by total expenditures; however, for report purposes, this level has been expanded to classifications of expenditures. Unused appropriations lapse at the end of the year.

Cash and Investments

Cash includes amounts in demand deposit checking and money market checking accounts.

State statutes authorize the District to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts; and mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

Investments are stated at cost or amortized cost when applicable.

Total Columns on the Combined Financial Statements

The total column on the Combined Balance Sheet and the Combined Statement of Revenues, Expenditures and Changes in Fund Balance are captioned Memorandum Only to indicate it is prescribed only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is cash data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH AND INVESTMENTS

The Recreation District No. 2 may invest in time deposits or certificates of deposits of state banks or savings and loan associations or savings banks organized under Louisiana law and national banks having principle offices in Louisiana. At present all of the District's cash and investments are in demand deposits and certificates of deposit. State law requires that deposits be fully collateralized at all times. Acceptable collateralization includes the \$10,000 FDIC/PSLIC insurance and the market value of

NOTE B - CASH AND INVESTMENTS (CONTINUED)

securities purchased and pledged. 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 District or with an unaffiliated bank or trust company for the account of the District.

The District's cash and investments are categorized to give an indication of the level of risk assumed by the District at September 30, 1998.

- Category 1 - Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 - Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name)

Cash and investments stated at cost consist of the following:

	General Spend/Grant	Debt Service	Capital Projects	Total
Cash - Checking	\$7,338	\$ --	\$ --	\$ 7,338
Money market checking	87	7,738	30,823	38,653
Certificates of deposit	-----	54,522	51,154	105,676
Total cash and investments	\$7,317	\$102,240	\$82,015	\$171,572
	-----	-----	-----	-----

Cash and investments categorized by level of risk are:

Amounts insured by the FDIC or collateralized with securities held by the District in its name	\$171,572
Amounts collateralized with securities held by the pledging financial institution's trust department in the District's name	--
Uncollateralized	-----
Total cash and investments	\$171,572

NOTE C - RECEIVABLES

Receivable from St. Mary Parish Council for sales tax allocation represents the District's portion of the three-fourths of one percent sales tax levy which has been collected by the Parish Council, but not remitted to the District or encumbered for expenses of the District. The Parish Council invests these funds for the District in bank money market accounts earning interest on the daily balance or invests in short-term certificates of deposit. The District reports its sales tax revenue and interest income as it is received by the Parish Council. The total sales tax receivable at September 30, 1994 and 1995 was \$16,325 and \$26,942, respectively.

NOTE D - DUE TO/FROM OTHER FUNDS

The general fund advanced \$12,000 in 1994 to the debt service fund to pay bond principal and interest due. This resulted because the debt service fund had invested its cash in a two year certificate of deposit maturing January 28, 1993 paying 6.50% per annum. The Board decided that the general fund would advance the funds and receive its pro-rata amount of the interest earned on the investment. Principal and interest accrued at September 30, 1996 totaled \$24,800 and is payable by the debt service fund to the general fund upon maturity of the certificate of deposit. These amounts are recorded in each fund as a receivable and payable respectively.

NOTE E - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 8-31-93	Additions	(Deletions)	Balance 8-31-94
Multi-purpose recreation building and improvements	\$1,160,616	\$10,410	\$ --	\$1,171,026
Recreation equipment	70,388	4,327	--	74,715
Furniture and office equipment	19,320	3,125	--	22,445
Transportation equipment	<u>17,182</u>	<u>--</u>	<u>--</u>	<u>17,182</u>
Total General Fixed Assets	<u>\$1,367,506</u>	<u>\$27,862</u>	<u>\$ --</u>	<u>\$1,395,368</u>

NOTE E - CHANGES IN GENERAL FIXED ASSETS (CONTINUED)

A summary of sources of investment in general fixed assets follows:

	Balance 2-28-85	Additions	Retire/Disposal	Balance 2-28-86
General Fund - Operations/Maintenance	\$ 36,411	\$ 1,850	\$ --	\$ 38,261
General Fund - Capital Projects	18,317	18,210	--	36,527
General Obligation Bond	1,252,102	--	--	1,252,102
Total Investment in General Fixed Assets	\$1,306,830	\$20,060	\$ --	\$1,326,890

NOTE F - GENERAL LONG-TERM DEBT

A summary of general long-term debt is as follows:

Description	Balance at 2-28-85	Issued	Retired	Balance at 2-28-86
\$1,250,000 General obligation bonds of 1985 payable in annual installments of \$25,000 to \$125,000 through March 1, 2006 with interest at 9.50 to 7.50 percent	\$ 60,000	\$ --	\$ 50,000	\$ 10,000
\$725,000 General obligation refunding bonds, Series 1983 (to defuse \$225,000 of General Obligation Bonds of 1984) payable in annual installments of \$25,000 to \$100,000 through March 1, 2006 with interest at 6.50 percent	725,000	--	--	725,000
	\$785,000	\$ --	\$ 50,000	\$735,000

NOTE F - GENERAL LONG-TERM DEBT (Continued)

Following is a summary of bond principal maturities and interest requirements:

Payment Date	Series 1993 Refunding Bonds (5.125%)		Total
	Principal Due	Interest Due	
3-01-97	55,000	18,834.38	
6-01-97		17,425.00	31,259.38
3-01-98	55,000	17,425.00	
6-01-98		16,835.63	88,440.83
3-01-99	60,000	16,835.63	
6-01-99		14,438.12	93,498.75
3-01-00	60,000	14,438.12	
6-01-00		12,948.62	87,438.75
3-01-01	70,000	12,948.62	
6-01-01		11,144.67	94,587.50
3-01-02	75,000	11,144.60	
6-01-02		9,325.00	96,313.60
3-01-03	80,000	9,325.00	
6-01-03		7,170.00	98,498.60
3-01-04	85,000	7,170.00	
6-01-04		4,996.88	87,191.60
3-01-05	90,000	4,996.88	
6-01-05		2,842.91	102,559.38
3-01-06	<u>150,000</u>	<u>2,562.51</u>	<u>102,562.50</u>
	735,000	210,345.61	945,765.85

Debt indebtedness of the District is reflected in the General Long-Term Debt Account Group, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund.

NOTE F - GENERAL LONG-TERM DEBT (CONTINUED)

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at September 30, 1994.

In December, 1993, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds were not included in the District's financial statements. On March 1, 1994, \$325,008 of bonds considered defeased were called and paid.

NOTE G - FUNDS TO BE PROVIDED FOR INTEREST ACCRUING IN FUTURE PERIODS

Under normal conditions, bond issues are not retired prior to their maturity. Although for accounting purposes, interest coupons issued in connection with the sale of bond issues become obligations/expenses of the District only with the passage of time, for all practical purposes they constitute fixed and determinable obligations which must be retired from dedicated revenues. The following table indicates unamortized interest coupons outstanding at September 30, 1994 and 1995, and the amounts which can be projected to be required in the future years for retirement of interest coupons which will become payable over the remaining life of the bond issues:

	General Obligation Bonds Series 1984, and General Obligation Refunding Bonds, Series 1983 to be retired from all Valorem Taxes and <u>savings on investments</u>	
	1994	1995
Amount to be provided per financial statements	\$457,490	\$721,831
Unamortized interest coupons	<u>219,766</u>	<u>250,800</u>
TOTAL	\$677,256	\$972,631

NOTE H - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCES

As of September 30, 1996 or during the year then ended, the following individuals served on the Board of Commissioners and were paid per diem allowances as scheduled.

<u>Name</u>	<u>Months of Service</u>	<u>Per Diem Received</u>
Richard Martin	12	\$120
Alvin Wilkerson	12	\$120
Edward Thomas	12	\$120
Raymond Coler	12	\$120
Demetrius Wilson	2	2 00
Gilbert Rasmussen	8	8 00
		\$580

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

PERIODS ENDED SEPTEMBER 30, 1994 AND 1995

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**IMPROVEMENT AUDITOR'S REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN ASPECT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited the general purpose financial statements of the Recreation District No. 2, a component unit of the Parish of St. Mary, State of Louisiana for the years ended September 30, 1996 and 1995, and have issued our report thereon dated January 14, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Recreation District No. 2 is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Recreation District No. 2 for the years ended September 30, 1996 and 1995, we obtained an understanding of

the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the District employs only one person in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose 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.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the use of management and the St. Mary Parish Council and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the St. Mary Parish Council is a matter of public record.

Attorneys and Counselors

Morgan City, Louisiana
January 14, 1997

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
BASED ON AN AUDIT OF GENERAL PURPOSE
FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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

We have audited the general purpose financial statements of the Recreation District No. 2, a component unit of the Parish of St. Mary, State of Louisiana as of and for the years ended September 30, 1994 and 1995, and have issued our report thereon dated January 24, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to Recreation District No. 2 is the responsibility of Recreation District No. 2's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Recreation District No. 2's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. 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.

PRIOR AUDIT FINDINGS

None.

We noted certain immaterial instances of noncompliance that we have reported to the management of Recreation District No. 2 in a separate letter dated January 14, 1987.

This report is intended solely for the use of management and the St. Mary Parish Council and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by the St. Mary Parish Council is a matter of public record.

L. Blane and Carpenter

Monroe City, Louisiana
January 14, 1987

COMMENTS TO MANAGEMENT

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COMMENTS TO MANAGEMENT

To the Board of Directors
Recreation District No. 2
Morgan City, Louisiana

During the performance of our audit of the Recreation District No. 2 for the year ending September 30, 1986, we noted certain immaterial instances of noncompliance with state laws that were clearly inconsequential to the audit results. However, we feel these instances of noncompliance should be communicated to the Board of Commissioners for future reference.

BUDGET AMENDMENT

In accordance with L&C-R.S. 38:1308, where the governing authority (Board of Commissioners) has received notice of a five percent variance or there has been a change in operations upon which the original adopted budget was developed, the governing authority must adopt a budget amendment. During 1986, the Board should have become aware that there was a greater than five percent variance in revenues and expenditures as originally budgeted and should have adopted a budget amendment to reflect these changes.

The Board responds that the adopted budget is employed as a management planning and control device during the year. By the time it was realized that the budget for fiscal year ending September 30, 1986 had a 5% variance in total revenues and total expenditures the year was over. The Board is aware and constantly monitors the requirement that expenditures shall not exceed the total of estimated funds available for the fiscal year. The Board is implementing procedures to receive interim budget to actual comparisons of revenues and expenditures and will attempt to monitor any variances greater than 5% in total so that budget amendments can be prepared when required.

These comments regarding immaterial instances of noncompliance have been made to management for future reference in planning and monitoring the activities of the Recreation District No. 2.

LeBlanc and Carpenter

Morgan City, Louisiana
January 14, 1987