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RECREATION DISTRICT NO. 4 OF ALLEN PARISH

Grant, Louisiana

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORT

Year Ended December 31, 2002

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 4-21-04

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INDEPENDENT AUDITOR'S REPORT

February 13, 2004

Board of Commissioners
Recreation District No. 4 of Allen Parish
Grant, Louisiana

I was engaged to audit the accompanying general purpose financial statements of Recreation District No. 4 of Allen Parish, as of December 31, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of Recreation District No. 4 of Allen Parish.

I was not unable to obtain critical records supporting the revenues that are reported in the financial statements of the Recreation District No. 4 of Allen Parish, nor was I able to satisfy myself as to those revenues by other auditing procedures. Those financial activities are included in the general purpose financial statements.

Since I did not audit the financial statements of Recreation District No. 4 of Allen Parish referred to above, the scope of my work was not sufficient to enable me to express, and I do not express, an opinion on these general purpose financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 13, 2004 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Royce T. Scimemi, CPA, APAC

Royce T. Scimemi, CPA, APAC

RECREATION DISTRICT NO. 4 OF ALLEN PARISH

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS - Unaudited

December 31, 2002

	<u>GOVERNMENTAL FUND TYPES</u>	<u>ACCOUNT GROUPS</u>	
	<u>General Fund</u>	<u>General Fixed Assets</u>	<u>TOTALS (Memorandum Only)</u>
ASSETS			
Cash	\$ 243	\$ -	\$ 243
Receivables			
Intergovernmental	2,475	-	2,475
Fixed assets	<u>-</u>	<u>41,326</u>	<u>41,326</u>
TOTAL ASSETS	\$ <u>2,718</u>	\$ <u>41,326</u>	\$ <u>44,044</u>
 LIABILITIES AND FUND EQUITY			
FUND EQUITY			
Investment in general fixed assets	\$ -	\$ 41,326	\$ 41,326
Fund balances			
Unreserved and undesignated	<u>2,718</u>	<u>-</u>	<u>2,718</u>
TOTAL FUND EQUITY	<u>2,718</u>	<u>41,326</u>	<u>44,044</u>
TOTAL LIABILITIES AND FUND EQUITY	\$ <u>2,718</u>	\$ <u>41,326</u>	\$ <u>44,044</u>

See accompanying notes and accountant's report.

RECREATION DISTRICT NO. 4 OF ALLEN PARISH

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

Year Ended December 31, 2002

	General <u>Fund</u>	TOTALS (Memorandum <u>Only</u>)
REVENUES		
Quasi-business (Canoe Rental Fee)	\$ 10,096	\$ 10,096
Interest	38	38
Intergovernmental	<u>4,500</u>	<u>4,500</u>
TOTAL REVENUES	<u>14,634</u>	<u>14,634</u>
EXPENDITURES		
Current		
Advertising	335	335
Bank charges	101	101
Personal services	750	750
Professional fees	8,397	8,397
Rents	200	200
Supplies	1,890	1,890
Travel	200	200
Utilities	<u>43</u>	<u>43</u>
TOTAL EXPENDITURES	<u>11,916</u>	<u>11,916</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,718</u>	<u>2,718</u>
FUND BALANCE - BEGINNING	-	-
FUND BALANCE - ENDING	<u>\$ 2,718</u>	<u>\$ 2,718</u>

See accompanying notes and accountant's report.

Recreation District No. 4 of Allen Parish

Notes to the Financial Statements

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recreation District No. 4 of Allen Parish was created under the provisions of Louisiana Revised Statutes 33:4562-4566, for the purpose of providing recreation facilities for the people of Ward 4 of Allen Parish. The district is governed by a board of commissioners composed of five members appointed by the Allen Parish Police Jury.

The accompanying general purpose financial statements of the Recreation District No. 4 of Allen Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

As the governing authority of the parish, for reporting purposes, the Allen Parish Police Jury is the financial reporting entity for Allen Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with 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 Allen Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

1. Appointing a voting majority of an organizations' governing body, and
 - a. The ability of the police jury to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to or compose specific financial burdens on the police jury.
2. Organizations for which the police jury does not appoint a voting majority but are fiscally dependent on the police jury.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints all members to the governing body and has the ability to impose its will on the District, the District was determined to be a component unit of the Allen Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the police jury, the general government services provided by the governmental unit, or the other governmental units that comprise the financial reporting entity.

Recreation District No. 4 of Allen Parish

Notes to the Financial Statements

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Account groups are a reporting device used to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The following funds and groups of accounts are used by the District:

Governmental Fund Types:

General Fund -

The General Fund is the general operating fund of the District. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Account Groups:

General Fixed Assets -

The General Fixed Assets Account Group is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. All donated fixed assets are valued at fair market value at the time of donation. No depreciation is recorded on general fixed assets.

3. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. 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. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are intergovernmental.

4. Cash

Cash includes amounts in demand deposits and time deposits 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.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or

Recreation District No. 4 of Allen Parish

Notes to the Financial Statements

December 31, 2002

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. At December 31, 2002 the District had \$1,996.51 in deposits (collected bank balances). All of which was secured from risk by federal deposit insurance.

5. Accounts Receivable

Due to a deposit error, an intergovernmental transfer from the Allen Parish Police Jury in the amount of \$2,500 was credited to the Recreation District's bank account for only \$25. The remaining \$2,475 was deposited into the Recreation District's account in February of 2003.

6. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of moneys are recorded in order to reserve that portion of applicable appropriation is not employed by the district as an extension of formal budgetary integration in the funds

7. Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Total Columns on Statements

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Ending Balance</u>
Land	\$ 36,722	\$ -	\$ 36,722
Machinery & Equipment	<u>4,604</u>	<u>-</u>	<u>4,604</u>
TOTAL	<u>\$ 41,326</u>	<u>\$ -</u>	<u>\$ 41,326</u>

NOTE C - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District did not maintain commercial insurance coverage covering each of those risks of loss.

Recreation District No. 4 of Allen Parish

Notes to the Financial Statements

December 31, 2002

NOTE D - COMMITMENTS AND CONTINGENCIES

The District entered into a cooperative endeavor agreement on June 2, 2002 with a for profit enterprise to manage a certain tract of land. Various canoe vendors who pick up canoe rental patrons and canoes after a canoe trip down the Quiska Chitto River used this land. The canoe vendors were to collect graduated amounts from the canoe rental patrons. Of the amounts collected, the District was to pay all "operating expenses" and submit one-half of the net profits to the for profit enterprise.

On August 22, 2002, the Department of the Army, New Orleans District, Corp of Engineers issued a Cease and Desist Order for operations. The Order cites violations of Section 10 of the Rivers and Harbors Act and Section 301 of the Clean Water Act. The Order therefore prevented the operation from making improvements along the river.

In July of 2002, the for profit enterprise took over the operations at the river and submitted certain relatively small payments to the District for it's apparent share of the net profits. Since no accounting for these activities was provided by the for profit enterprise, the District was unable to determine if there are any unaccrued assets or liabilities at year end.

Subsequently, another for profit enterprise began offering a pick-up point to the canoe vendors and the revenues under the cooperative endeavor agreement were no longer being collected. The District was not involved in the new pick-up point on the river and is not entitled to any revenue after that point.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE *WITH* *GOVERNMENT AUDITING STANDARDS*

February 13, 2004

Board of Commissioners
Recreation District No. 4 of Allen Parish
Grant, Louisiana

I was engaged to audit the general purpose financial statements of Recreation District No. 4 of Allen Parish, a component unit of the Allen Parish Police Jury, as of and for the year ended December 31, 2002, and have issued my report thereon dated February 13, 2004. I was unable to conduct my 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. I disclaimed my opinion as a result of inadequate documentation and other scope limitations. Since much of the documentation needed to perform my tests was not available, many internal control and compliance tests normally performed were not completed.

Compliance

As part of the engagement, in determining whether the Recreation District No. 4 of Allen Parish's general purpose financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed ten instances of noncompliance that are required to be reported under *Government Auditing Standards*. They are described in the accompanying schedule of findings and questioned costs.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Recreation District No. 4 of Allen Parish's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. My 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 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. I noted certain matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses. The results of my tests disclosed eleven instances of noncompliance that are required to be reported under *Government Auditing Standards*. They are described in the accompanying schedule of findings and questioned costs.

This report is intended solely for the information of management and use of the Legislative Auditor of the State of Louisiana 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.

Royce T. Scimemi, CPA, APAC Royce T. Scimemi, CPA, APAC

RECREATION DISTRICT NO. 4 OF ALLEN PARISH
SUMMARY OF FINDINGS AND QUESTIONED COSTS

December 31, 2002

1. Summary of Auditors' Results:

- a) Auditor disclaimed his opinion on the financial statements.
- b) Ten reportable conditions in internal control over financial reporting and its operation were disclosed by the audit of the financial statements.
- c) Ten noncompliances, which are material to the financial statements, were disclosed by the audit of the financial statements.

2. Findings Related to the Financial Statements Which Are Required to be Reported in Accordance with Generally Accepted Governmental Auditing Standards:

Current Year:

- 1) RS 16:2 place the responsibility of legal representation of the District upon the Allen Parish District Attorney. The cooperative endeavor agreement referred to in Note D was drafted by outside attorneys and considerable attorney fees were paid for such legal services.
- 2) The cooperative endeavor agreement referred to in Note D does not specify the District's ability to oversee operations, nor does it define rental fees, operating expenses, the property involved, maintenance, proceeds, net proceeds, or upkeep of land. Since many of these and other terms are vague, compliance with the agreement itself cannot readily be assessed. Compliance with various other laws and regulations could not be assessed. For instance, legal fees incurred by the for profit enterprise involved in the cooperative endeavor agreement were paid out of "operating expenses". This might imply a violation Article 7 Section 14 of the Louisiana Constitution.
- 3) The cooperative endeavor agreement referred to in Note D is perpetual and apparently has never been terminated. The for profit enterprise involved in the cooperative endeavor agreement submitted a letter dated December 20, 2002 to the District terminating the agreement. The effective date of termination was January 1, 2003. The reason for termination was that the District failed to provide "Materials, Manpower and Machinery" as was promised in the contract and the contract "does not inure for the benefit of both parties". I was unable to determine if the District complied with any one of these provisions or if the contract is apparently terminated.
- 4) Once the for profit enterprise involved in the cooperative endeavor agreement referred to in Note D took over operations in July 2002, no further revenue and expense reporting became available. Compliance with laws and regulations cannot be determined without proper documentation of those revenues and expenditures/expenses. Investigation of those funds might imply a violation Article 7 Section 14 of the Louisiana Constitution.
- 5) The cooperative endeavor agreement referred to in Note D does not limit the District's exposure in that maintenance and insurance requirements are not stated. There was no purchase of any insurance contracts. Although the cooperative endeavor agreement referred to in Note D does not specifically require insurance, the District may actually have been legally required to provide such insurance. It is impossible to determine if the District complied with the maintenance provision of the cooperative endeavor agreement since it was not defined.

- 6) The cooperative endeavor agreement referred to in Note D provides for a separate board to administer certain funds, which apparently violates Louisiana Law.
- 7) Louisiana Revised Statutes require that the District file its annual financial report by June 30, 2003. This law has not been complied with for various reasons.
- 8) (Repeat Finding) Management did not adopt a budget or fulfill any of the requirements of R.S. 39 et al (The Louisiana Local Government Budget Act)
- 9) Management did not provide documentation to support compliance with the Louisiana Open Meetings Law.
- 10) The District withheld federal income, social security, and medicare taxes from an individual on wages paid to him for validating canoe reports at the river. No evidence was found of compliance with United States payroll laws. No Form 941s reporting wages and payroll taxes paid were provided. No W-2 has been provided. It appears that fiduciary laws applicable to these employer responsibilities have not been fulfilled.
- 11) Because of the District's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Prior Year

Management did not adopt a formal budget required by LSA - R.S. 39:1301 - 14.

3. Findings and Questioned Costs for Federal Awards:

N/A

The prior year findings were not corrected satisfactorily.

RECREATION DISTRICT NO. 4 OF ALLEN PARISH

CORRECTIVE ACTION PLAN

December 31, 2002

Current Year Findings:

The board agrees with all of the findings. The board will enlist the assistance of the District Attorney to rectify all legal ramifications involved with the District's participation in the cooperative endeavor agreement described in Note D. The District will file its annual report with the proper authorities for the year ended December 31, 2003 in accordance with Louisiana Law. The District will adopt a budget and comply with the provisions of "The Budget Act". The District will post meeting notices at least 24 hours in advance on a public building to document compliance with "The Open Meetings Law". The District will file all applicable payroll tax returns and pay the applicable payroll taxes required. Since the District does not have the required available resources, adequate segregation of duties cannot currently be accomplished.

Prior Year Findings:

The prior year findings were not corrected satisfactorily.


Board President