

OFFICIAL
FILE COPY

DO NOT SEND OUT

(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

99600649
8978

✓
**Recreation District No. 2
of the Parish of St. Mary
State of Louisiana**

**Report on Examination of
Financial Statements**

**For the years ended
September 30, 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 MAR 3 1999

TABLE OF CONTENTS

	<u>PAGE NO.</u>
INDEPENDENT AUDITOR'S REPORT.	1-2
GENERAL PURPOSE FINANCIAL STATEMENTS (Combined Statements - Overview)	
Combined Balance Sheets-All Fund Types and Account Groups.	3-4
Combined Statements of Revenues, Expenditures, and Changes in Fund Balance-All Governmental Fund Types.	5-6
General Fund - Operations and Maintenance Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual	7-8
Notes to Financial Statements.	9-17
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	18-19

LEBLANC AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
210 GRIZZAFFI ST., P.O. DRAWER 3479
MORGAN CITY, LOUISIANA 70381
PHONE (504)384-2630
FAX (504) 384-2635

RICKY JONATHAN LEBLANC, CPA
THOMAS H. CARPENTER, CPA

MEMBER:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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, 1998 and 1997, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall 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, 1998 and 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The Governmental Accounting Standards Board has issued "GASB Technical Bulletin 98-1, Disclosures about Year 2000 Issues," effective for financial statements on which the auditor's report is dated after October 31, 1998. As discussed at Note H, the District has disclosed certain matters regarding the year 2000 issue. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 1999, on our consideration of Recreation District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

LeBlanc and Carpenter

February 11, 1999
Morgan City, Louisiana

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

Combined Balance Sheets - All Fund Types

September 30, 1998

	<u>Governmental Fund Types</u>	
	<u>General Oper/Maint</u>	<u>Debt Service</u>
ASSETS		
Cash	\$14,776	\$ 39,196
Investments	--	86,844
Receivables		
Sales tax allocation -		
St. Mary Parish Council	57,820	--
Prepaid expenses	5,694	--
Property, plant and equipment	--	--
Amount available for debt retirement	--	--
Funds to be provided for retirement of general long-term debt	--	--
TOTAL ASSETS	\$78,290	\$126,040
	=====	=====
LIABILITIES		
Accounts payable and payroll taxes	\$ 4,666	\$ --
Refund bonds payable - Series 1993	--	--
TOTAL LIABILITIES	4,666	--
FUND EQUITY		
Investment in general fixed assets	--	--
Fund balances		
Reserved for debt service	--	126,040
Reserved for replacements	--	--
Unreserved and undesignated	73,624	--
TOTAL FUND EQUITY	73,624	126,040
TOTAL LIABILITIES AND FUND EQUITY	\$78,290	\$126,040
	=====	=====

Governmental Fund Types	Account Groups		Totals (Memorandum Only)	
	General Fixed Assets	General Long-Term Debt	1998	1997
Capital Projects				
\$ --	\$ --	\$ --	\$ 53,972	\$ 85,338
43,252	--	--	130,096	123,451
--	--	--	57,820	47,381
--	--	--	5,694	5,635
--	1,406,976	--	1,406,976	1,353,059
--	--	126,040	126,040	114,244
<u>--</u>	<u>--</u>	<u>498,960</u>	<u>498,960</u>	<u>565,756</u>
\$43,252	\$1,406,976	\$625,000	\$2,279,558	\$2,294,864
=====	=====	=====	=====	=====
\$ --	\$ --	\$ --	\$ 4,666	\$ 4,067
--	--	625,000	625,000	680,000
<u>--</u>	<u>--</u>	<u>625,000</u>	<u>629,666</u>	<u>684,067</u>
--	1,406,976	--	1,406,976	1,353,059
--	--	--	126,040	114,244
43,252	--	--	43,252	42,446
<u>--</u>	<u>--</u>	<u>--</u>	<u>73,624</u>	<u>101,048</u>
<u>43,252</u>	<u>1,406,976</u>	<u>--</u>	<u>1,649,892</u>	<u>1,610,797</u>
\$43,252	\$1,406,976	\$625,000	\$2,279,558	\$2,294,864
=====	=====	=====	=====	=====

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 Balance-
All Governmental Fund Types

For the years ending September 30, 1998 and 1997

	<u>Governmental Fund Types</u>	
	<u>General</u>	<u>Debt</u>
	<u>Oper/Maint</u>	<u>Service</u>
REVENUES		
Ad valorem taxes	\$ 84,292	\$ 94,834
Sales tax allocation	68,078	--
Interest income	1,967	5,447
Rural Development Grant	14,295	--
Net activities income	2,044	--
TOTAL REVENUES	170,676	100,281
EXPENDITURES		
Salaries, and wages	55,992	--
Commissioners per diem	570	--
Insurance	18,977	--
Utilities and telephone	16,761	--
Sewerage and garbage	2,082	--
Legal, accounting and audit	6,100	--
Supplies, maintenance and office	4,686	--
Repairs/maintenance	13,803	--
Fixed assets outlay	61,956	--
Replacements, repairs	--	--
Payroll taxes	3,914	--
Truck, bus, tractor expenses	4,136	--
Casual labor	--	--
Summer programs cost	8,002	--
Public relations	473	--
Other expenses	648	--
Bond interest and fees	--	33,485
Bond principal	--	55,000
TOTAL EXPENDITURES	198,100	88,485
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(27,424)	11,796
FUND BALANCE-BEGINNING OF YEAR	101,048	114,244
FUND BALANCE-END OF YEAR	\$ 73,624	\$126,040
	=====	=====

<u>Governmental Fund Types</u> <u>Capital Projects</u>	<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>1998</u>	<u>1997</u>
\$ --	\$179,126	\$231,078
--	68,078	51,312
2,538	9,952	10,935
--	14,295	--
--	<u>2,044</u>	<u>1,664</u>
<u>2,538</u>	<u>273,495</u>	<u>294,989</u>
--	55,992	46,728
--	570	480
--	18,977	22,143
--	16,761	16,621
--	2,082	1,887
--	6,100	6,250
--	4,686	3,379
--	13,803	9,792
1,582	63,538	31,471
150	150	2,987
--	3,914	3,812
--	4,136	4,802
--	--	2,220
--	8,002	5,135
--	473	710
--	648	612
--	33,485	36,322
--	<u>55,000</u>	<u>55,000</u>
<u>1,732</u>	<u>288,317</u>	<u>250,351</u>
806	(14,822)	44,638
<u>42,446</u>	<u>257,738</u>	<u>213,100</u>
\$ 43,252	\$242,916	\$257,738
=====	=====	=====

See Notes to the Financial Statements.

RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY
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, 1998 and 1997

	9-30-98			
	Budget	Actual	Favorable (Unfavorable)	1997
REVENUES				
Ad valorem taxes	\$ 85,000	\$ 84,292	\$ (708)	\$108,735
Sales tax allocation	70,000	68,078	(1,922)	51,312
Interest income	2,000	1,967	(33)	2,255
Rural Development Grant	15,000	14,295	(705)	--
TOTAL REVENUES	<u>172,000</u>	<u>168,632</u>	<u>(3,368)</u>	<u>162,302</u>
EXPENDITURES				
Director's salary	25,000	24,709	291	23,617
Janitor's salary	14,000	14,681	(681)	--
Maintenance salary	11,500	10,731	769	23,112
Secretary salary	5,000	5,872	(872)	--
Insurance	19,000	18,977	23	22,143
Utilities, telephone	15,332	16,761	(1,429)	16,621
Legal and accounting	3,425	3,025	400	3,175
Audit fees	3,075	3,075	--	3,075
Casual labor	3,000	--	3,000	2,220
Public relations	1,500	473	1,027	710
Maintenance supplies	500	380	120	689
Miscellaneous	2,000	53	1,947	2
Office supplies	2,500	4,251	(1,751)	2,687
Payroll taxes	5,000	3,914	1,086	3,812
Licenses, permits	150	73	77	154
Truck and bus	3,000	2,195	805	3,345
Commissioners per diem	600	570	30	480
Repairs and maintenance	19,500	13,803	5,697	9,792
Tractor expenses	2,000	1,942	58	1,457
Summer programs costs	5,000	8,002	(3,002)	5,135
Sewerage and garbage	2,000	2,082	(82)	1,887
Advertising	300	517	(217)	260
Bank charges	300	58	242	198
Capital expenditure: Facility equipment	58,000	61,956	(3,956)	12,130
TOTAL EXPENDITURES	<u>201,682</u>	<u>198,100</u>	<u>3,582</u>	<u>136,701</u>
EXCESS OF OPERATING REVENUES OVER (UNDER) EXPENDITURES	<u>(29,682)</u>	<u>(29,468)</u>	<u>214</u>	<u>25,601</u>

	<u>9-30-98</u>			
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>	<u>1997</u>
ACTIVITIES INCOME (COSTS)				
Receptions, dances, other	\$ 3,900	\$ 3,350	\$ (550)	\$ 2,715
Costs-receptions, dances	(2,300)	(3,574)	(1,274)	(2,721)
Building rental	1,800	1,800	--	1,350
Concessions and other	<u>300</u>	<u>468</u>	<u>168</u>	<u>320</u>
NET ACTIVITIES INCOME (COSTS)	<u>3,700</u>	<u>2,044</u>	<u>(1,656)</u>	<u>1,664</u>
TOTAL EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(25,982)	(27,424)	(1,442)	27,265
FUND BALANCE				
FUND BALANCE AT BEGINNING OF YEAR	<u>101,048</u>	<u>101,048</u>	<u>--</u>	<u>73,783</u>
FUND BALANCE AT END OF YEAR	\$ 75,066 =====	\$ 73,624 =====	\$ (1,442) =====	\$101,048 =====

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, 1998

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, 1998. 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:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 6.75 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 \$101,192 in 1994 from the settlement of the protest tax litigation with regard to offshore vessels. If these funds had been timely received they would have been applied to the retirement of outstanding debt which debt has now been legally defeased. 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.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 estimated 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 expected to be financed from government 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 presented 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 such 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 certificate 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 \$100,000 FDIC/FSLIC 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:

	<u>General Oper/Maint</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
Cash - Checking	\$12,696	\$ --	\$ --	\$ 12,696
Money market checking	2,080	39,196	--	41,276
Certificates of deposit	<u> --</u>	<u>86,844</u>	<u>43,252</u>	<u>130,096</u>
 Total cash and investments	 \$14,776 =====	 \$126,040 =====	 \$43,252 =====	 \$184,068 =====

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	\$184,068
Amounts collateralized with securities held by the pledging financial institution's trust department in the District's name	--
Uncollateralized	<u> --</u>
Total cash and investments	\$184,068 =====

NOTE C - RECEIVABLES

Receivable from St. Mary Parish Council for sales tax allocation represents the District's portion of the three-tenths 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, 1998 and 1997 was \$57,820 and \$47,381, respectively.

NOTE D - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance <u>9-30-97</u>	<u>Additions</u>	<u>(Deletions)</u>	Balance <u>9-30-98</u>
Multi-purpose recreation building and improvements	\$1,222,244	\$40,557	\$(9,621)	\$1,253,180
Recreation equipment	90,584	--	--	90,584
Furniture and office equipment	23,049	5,986	--	29,035
Transportation equipment	<u>17,182</u>	<u>16,995</u>	<u>--</u>	<u>34,177</u>
Total General Fixed Assets	\$1,353,059 =====	\$63,538 =====	\$(9,621) =====	\$1,406,976 =====

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

	Balance <u>9-30-97</u>	<u>Additions</u>	<u>(Deletions)</u>	Balance <u>9-30-98</u>
General Fund - Operation/Maintenance	\$ 49,393	\$61,956	\$(9,621)	\$ 101,728
General Fund - Capital Projects	52,868	1,582	--	54,450
General Obligation Bond	<u>1,250,798</u>	<u>--</u>	<u>--</u>	<u>1,250,798</u>
Total Investment In General Fixed Assets	\$1,353,059 =====	\$63,538 =====	\$(9,621) =====	\$1,406,976 =====

NOTE E - GENERAL LONG-TERM DEBT

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

<u>Description</u>	<u>Balance at</u> <u>9-30-97</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at</u> <u>9-30-98</u>
\$735,000 General obligation refunding bonds, Series 1993 (to defease \$925,000 of General Obligation Bonds of 1986) payable in annual installments of \$55,000 to \$100,000 through March 1, 2006 with interest at 5.125 percent	<u>680,000</u>	<u>--</u>	<u>55,000</u>	<u>625,000</u>
	\$680,000 =====	\$ -- =====	\$ 55,000 =====	\$625,000 =====

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

<u>Payment Date</u>	<u>Series 1993 Refunding Bonds (5.125%)</u>		<u>Total</u>
	<u>Principal Due</u>	<u>Interest Due</u>	
3-01-97	55,000	18,834.38	
9-01-97		17,425.00	91,259.38
3-01-98	55,000	17,425.00	
9-01-98		16,015.63	88,440.63
3-01-99	60,000	16,015.63	
9-01-99		14,478.12	90,493.75
3-01-00	60,000	14,478.13	
9-01-00		12,940.62	87,418.75
3-01-01	70,000	12,940.63	
9-01-01		11,146.87	94,087.50
3-01-02	75,000	11,146.88	
9-01-02		9,225.00	95,371.88
3-01-03	80,000	9,225.00	
9-01-03		7,175.00	96,400.00
3-01-04	85,000	7,175.00	
9-01-04		4,996.88	97,171.88
3-01-05	95,000	4,996.88	
9-01-05		2,562.50	102,559.38
3-01-06	<u>100,000</u>	<u>2,562.50</u>	<u>102,562.50</u>
	735,000	210,765.65	945,765.65
Less Amounts Paid	<u>(110,000)</u>	<u>(69,700.01)</u>	<u>(179,700.01)</u>
	625,000 =====	141,065.64 =====	766,065.64 =====

Bond 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 E - 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, 1998.

NOTE F - 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/expenditures 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 unmatured interest coupons outstanding at September 30, 1998 and 1997, and the amounts which can be presumed to be required in the future years for retirement of interest coupons which will become payable over the remaining life of the bond issue:

	General Obligation Bonds Series 1986, and General Obligation Refunding Bonds, Series 1993 to be retired from ad valorem taxes and <u>earnings on investments</u>	
	<u>1998</u>	<u>1997</u>
Amount to be provided per financial statements	\$498,960	\$565,756
Unmatured interest coupons	<u>141,066</u>	<u>174,506</u>
TOTAL	\$640,026 =====	\$740,262 =====

NOTE G - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCE

As of September 30, 1998 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
Lee O. Bobb	9	<u>\$ 90</u>
		\$570 =====

NOTE H - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

Recreation District No. 2 has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the District's operations:

- Sales tax and ad valorem tax assessment, collection, and remittance for the District is handled by St. Mary Parish Sales & Use Tax Department, St. Mary Parish Assessor and St. Mary Parish Sheriff, respectively. The Sales & Use Tax Department, Assessor and Sheriff are responsible for remediating their systems, and are solely responsible for any costs associated with these projects. The Sales & Use Tax Department, Assessor and Sheriff have begun the remediation process on their systems.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

NOTE I - RURAL DEVELOPMENT GRANT

The District received \$14,295 through the St. Mary Parish Government for a Rural Development Grant to provide recreational equipment. The Grant was funded by the State Office of Rural Development on a reimbursement basis. The District utilized the funds to construct a walking trail. The District complied with all applicable federal and state laws in completion of the project.

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

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

PERIODS ENDED SEPTEMBER 30, 1998 AND 1997

LEBLANC AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
210 GRIZZAFFI ST., P.O. DRAWER 3479
MORGAN CITY, LOUISIANA 70381

PHONE (504)384-2630
FAX (504) 384-2635

RICKY JONATHAN LEBLANC, CPA
THOMAS H. CARPENTER, CPA

MEMBER:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited the general purpose financial statements of Recreation District No. 2, as of and for the years ended September 30, 1998 and 1997, and have issued our report thereon dated February 11, 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.

Compliance

As part of obtaining reasonable assurance about whether Recreation District No. 2's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. There were no prior year findings or management letter comments.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Recreation District No. 2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Recreation District No. 2's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose 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 two persons 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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Commissioners (management), St. Mary Parish Council, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

LeBlanc and Carpenter

February 11, 1999
Morgan City, Louisiana