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Financial Report
Recreation District No. 3 of
Livingston Parish, Louisiana
December 31, 1998

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 JUN 03 1999

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Livingston Parish, Louisiana

A Component Unit of the Livingston Parish Council

December 31, 1998

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of
Recreation District No. 3
Livingston Parish, Louisiana.

I have audited the accompanying general purpose financial statements of Recreation District No. 3 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 1998, as listed in the table of contents. These general purpose financial statements are the responsibility of Recreation District No. 3's management. My responsibility is to express an opinion on these general purpose financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Recreation District No. 3 of Livingston Parish, Louisiana, as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report (see page 3) dated April 13, 1999 on my consideration of Recreation District No. 3's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

My audit was made for the purpose of forming an opinion on the general purpose financial statements of Recreation District No. 3 of Livingston Parish, Louisiana taken as a whole. The accompanying financial information presented in Schedule 1 of the supplementary financial information is presented for the purposes of additional analysis and is not a required part of the general purpose financial statements of Recreation District No. 3 of Livingston Parish, Louisiana. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole. The disclosure about the Year 2000 issue in Schedule 2 of the supplementary information is not a required part of the general purpose financial statements but is supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it. In addition, I do not provide assurance that Recreation District No. 3 of Livingston Parish, Louisiana is or will become year 2000 compliant, that Recreation District No. 3's year 2000 remediation efforts will be successful in whole or in part, or that parties with which Recreation District No. 3 does business are or will become year 2000 compliant.

Neil B. Ferrari, CPA

Baton Rouge, Louisiana,
April 13, 1999.

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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 of
Recreation District No. 3
Livingston Parish, Louisiana.

I have audited the general purpose financial statements of Recreation District No. 3 of Livingston Parish, Louisiana, a component unit of the Livingston Parish Council, as of and for the year ended December 31, 1998, and have issued my report thereon dated April 13, 1999. I conducted my audit in accordance with generally accepted auditing 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. 3 of Livingston Parish, Louisiana'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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Recreation District No. 3 of Livingston Parish, Louisiana'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 no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

This report is intended for the information and use of management, the Livingston Parish Council, and 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.

Neil G. Ferrari, CPA

Baton Rouge, Louisiana
April 13, 1999.

GENERAL PURPOSE FINANCIAL STATEMENTS

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

December 31, 1998

	Governmental Fund Types		Account Groups		Total (Memorandum Only)
	General Fund	Debt Service Fund	General Fixed Assets	General Long-Term Debt	
ASSETS AND OTHER DEBITS					
Assets:					
Cash and cash equivalents (Note 2)	\$ 116,364	\$ 290	\$ 0	\$ 0	\$ 116,654
Investments (Note 3)	0	535,187	0	0	535,187
Receivables (Note 4):					
Ad valorem taxes	386,257	77,487	0	0	463,744
Athletic equipment and supplies inventory	16,129	0	0	0	16,129
Deposits	2,612	0	0	0	2,612
Land, building, and equipment (Note 5)	0	0	6,145,230	0	6,145,230
Other Debits:					
Amount available in Debt Service Fund	0	0	0	612,964	612,964
Amount to be provided for retirement of <i>general long-term debt</i>	0	0	0	1,912,036	1,912,036
Amount to be provided for payment of certain claims and judgements	0	0	0	25,000	25,000
Total assets and other debits	\$ 521,362	\$ 612,964	\$ 6,145,230	\$ 2,550,000	\$ 9,829,556
LIABILITIES, FUND EQUITY, AND OTHER CREDITS					
Liabilities:					
Accounts payable	\$ 12,701	\$ 0	\$ 0	\$ 0	\$ 12,701
Bonds payable (Note 6)	0	0	0	2,525,000	2,525,000
Estimated liability for claims and judgements (Note 9)	0	0	0	25,000	25,000
Total liabilities	12,701	0	0	2,550,000	2,562,701
Equity and Other Credits:					
Investment in general fixed assets	0	0	6,145,230	0	6,145,230
Fund balances:					
Reserved for:					
Debt service	0	612,964	0	0	612,964
Athletic equipment and supplies inventory	16,129	0	0	0	16,129
Unreserved - undesignated	492,532	0	0	0	492,532
Total equity and other credits	508,661	612,964	6,145,230	0	7,266,855
Total liabilities, equity and other credits	\$ 521,362	\$ 612,964	\$ 6,145,230	\$ 2,550,000	\$ 9,829,556

The accompanying notes are an integral part of this statement.

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

For the Year Ended December 31, 1998

	General Fund	Debt Service Fund	Total (Memorandum Only)
REVENUES			
Taxes:			
Ad valorem	\$ 504,614	\$ 111,539	\$ 616,153
Interest on taxes	4,381	1,866	6,247
Investment income	11,935	28,566	40,501
Charges for services:			
Registration & program fees	315,821	0	315,821
Building and ballfield rentals	35,377	0	35,377
Other revenues:			
Concession & vending sales	44,748	0	44,748
Sponsorships for programs	18,950	0	18,950
Tournament income	6,626	0	6,626
Donations	5,040	0	5,040
Miscellaneous	4,881	0	4,881
Total revenues	\$ 952,373	\$ 141,971	\$ 1,094,344
EXPENDITURES			
Current:			
Salaries and wages	\$ 404,521	\$ 0	\$ 404,521
Program expenses	146,161	0	146,161
Equipment operations, maintenance and repairs	74,065	0	74,065
Telephone and utilities	62,295	0	62,295
Insurance	42,216	0	42,216
Payroll taxes	26,705	0	26,705
Pension contributions deducted from ad valorem tax revenues	19,197	3,840	23,037
Pension contributions paid directly	12,786	0	12,786
Professional services	18,235	0	18,235
Contracted services	13,510	0	13,510
Concession expenses	10,760	0	10,760
Office and administrative expenses	6,889	0	6,889
Tournament expenses	3,217	0	3,217
Health insurance premiums	2,917	0	2,917
Employee uniforms	1,441	0	1,441
Other	597	733	1,330
Commissions - signs & sponsors	400	0	400
Capital Outlay	103,516	0	103,516
Debt Service:			
Principal retirement	0	100,000	100,000
Interest expense	0	185,875	185,875
Total expenditures	949,428	290,448	1,239,876
Excess (deficiency) of revenues over expenditures	2,945	(148,477)	(145,532)
Fund balances at beginning of year	505,716	761,441	1,267,157
Fund balances at end of year	\$ 508,661	\$ 612,964	\$ 1,121,625

The accompanying notes are an integral part of this statement.

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

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

For the Year Ended December 31, 1998

	Revised Budget	Actual	Variance- Favorable (Unfavorable)
REVENUES			
Taxes:			
Ad valorem	\$ 478,500	\$ 504,614	\$ 26,114
Interest on taxes	4,500	4,381	(119)
Investment income	13,000	11,935	(1,065)
Charges for services:			
Registration & program fees	315,266	315,821	555
Building & ballfield rentals	36,100	35,377	(723)
Other revenues:			
Concession & vending sales	44,500	44,748	248
Sponsorships for programs	19,000	18,950	(50)
Tournament income	6,700	6,626	(74)
Donations	1,200	5,040	3,840
Miscellaneous	2,634	4,881	2,247
Total revenues	\$ 921,400	\$ 952,373	\$ 30,973
EXPENDITURES			
Current:			
Salaries and wages	391,200	404,521	(13,321)
Program expenses	152,600	146,161	6,439
Equipment operations, maintenance and repairs	75,200	74,065	1,135
Telephone and utilities	62,000	62,295	(295)
Insurance	42,000	42,216	(216)
Payroll taxes	26,000	26,705	(705)
Pension contributions deducted from ad valorem tax revenues	17,000	19,197	(2,197)
Pension contribution paid directly	12,800	12,786	14
Professional services	19,500	18,235	1,265
Contracted services	13,000	13,510	(510)
Concession expenses	10,330	10,760	(430)
Office and administrative expenses	7,500	6,889	611
Tournament expenses	3,200	3,217	(17)
Health insurance premiums	4,400	2,917	1,483
Employee uniforms	1,500	1,441	59
Other	970	597	373
Commissions - signs & sponsors	400	400	0
Capital outlay	102,000	103,516	(1,516)
Total expenditures	941,600	949,428	(7,828)
Excess (deficiency) of revenues over expenditures	(20,200)	2,945	\$ 23,145
Fund balances at beginning of year	505,716	505,716	
Fund balances at end of year	\$ 485,516	\$ 508,661	

The accompanying notes are an integral part of this statement.

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

December 31, 1998

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Organization and Nature or Operations:

Recreation District No. 3 of Livingston Parish, Louisiana ("District") was created November 27, 1973, by the Livingston Parish Council, as provided by Louisiana Revised Statute 33:4562. The District is governed by a board of seven commissioners who are appointed by the Livingston Parish Council. The purpose of the District is to provide playground and other facilities which promote recreation and general health and well-being. The District encompasses about 36% of Livingston Parish, Louisiana and serves about 25,600 people. There were 175 people employed by the District, including full-time and part-time employees, and the commissioners, during 1998. The District operates four recreational facilities referred to as North Park, South Park, West Livingston Playground, and Spring Park.

b. Reporting Entity:

The Livingston Parish Council is the financial reporting entity for Livingston Parish, Louisiana. The Livingston Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Accordingly, Recreation District No. 3 has been determined to be a component unit of the Livingston Parish Council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Livingston Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity for Livingston Parish, Louisiana.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

b. Reporting Entity: - (continued)

The District has no entities or organizations which are required to be included in the District's financial report as defined by Governmental Accounting Standards Board Statement 14.

c. Basis of Statement Presentation:

The accompanying general purpose financial statements of the Recreation District No. 3 of Livingston Parish, Louisiana, have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, the accounting and reporting procedures conform to the requirements of Louisiana Revised Statutes 24:514, the Louisiana Governmental Audit Guide, and to the industry audit guide, Audits of State and Local Governmental Units.

d. Fund Accounting:

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

A fund is a separate accounting entity with a self-balancing set of accounts. Funds of the District are classified as governmental funds. Governmental funds account for the District's general activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets, and the servicing of general long-term debt. The governmental funds presented in the financial statements are described as follows:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

d. Fund Accounting: - (continued)

Governmental Fund Types:

General Fund

The General Fund is the general operating fund of Recreation District No. 3 and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid for through other funds are paid from the General Fund.

Debt Service Fund

The Debt Service Fund is used to account for transactions relating to resources retained and used for the payment of interest and principal on those long-term obligations recorded in the General Long-Term Debt Account Group.

e. Account Groups:

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. The following two account groups are not "funds".

General Fixed Assets

The fixed assets (capital outlays) used in governmental fund type operations of Recreation District No. 3 are accounted for (capitalized) in the General Fixed Assets Account Group and are recorded as expenditures (capital outlays) in the governmental fund types when purchased or constructed.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

d. Fund Accounting: - (continued)

Governmental Fund Types: - (continued)

General Long-Term Debt

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group. Principal and interest payments on long-term liabilities (public improvements bonds) are also accounted for in the Debt Service Fund.

f. Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (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 the governmental funds. The governmental funds use the following practices in recording revenues, expenditures, and transfers:

Revenue Recognition

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become available and measurable. Available means due or past due and receivable within the current period, and collected within the current period or expected to be collected soon enough thereafter to pay liabilities of the current period (normally within 60 days).

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

f. Basis of Accounting: - (continued)

Revenue Recognition - (continued)

The following are the revenue recognition policies used by Recreation District No. 3:

■ The District's ad valorem property tax is levied each November 15 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District. This tax becomes delinquent on January 1 of the following year. The assessed value of the property on the tax roll as of January 1, 1998, was \$36,786,570. The tax rates assessed for 1998 to finance maintenance and operations of the parks and the payment of principal and interest on the public improvement bonds were \$1.50 and \$.30 per \$100 of property valuation, respectively, for a total of \$1.80 per \$100 valuation.

The taxes are generally collected in December of the current year and January and February of the following year. During May (of the year after the year when the tax was due), properties with delinquent taxes are advertised for auction by the Parish Sheriff. The auction is normally scheduled for June or July. It is at this time a lien is placed on the property. Properties not sold at the auction are adjudicated to the State of Louisiana. Ad valorem taxes are recognized as current year revenue if collected within sixty days after the end of the year.

■ Interest and dividends earned on idle cash and investments are recorded when the income is both measurable and available.

■ Grant revenues are recorded when Recreation District No. 3 is entitled to reimbursement of expenditures under the terms of the grant.

■ Program revenues, such as; registration fees, concession sales, tournament income, and sponsorship fees are recorded when the income is received.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

f. Basis of Accounting: - (continued)

Revenue Recognition - (continued)

- Building rentals, donations, and miscellaneous revenues are recorded as revenue when the money is received because they are generally not measurable until actually received.

Expenditures

Expenditures, other than principal interest on long-term debt, are recognized in the accounting period in which the liability is incurred, if measurable.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). They are recorded when the transfer is made.

g. Budgetary Policy and Accounting:

The District prepares its budget on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- Before the second Monday of November, the District prepares a budget for the next fiscal year which begins January 1. The operating budget includes proposed expenditures and the means of financing them.
- The board members discuss the proposed budget at the regular meeting of the Board of Commissioners on the second Monday of November and set the date for the special public hearing on the proposed budget.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

g. Budgetary Policy and Accounting: - (continued)

■ The public hearing to review and discuss the budget is held immediately before the regular meeting of the Board of Commissioners on the second Monday in December. The public hearing for the District's 1998 budget was held on December 8, 1997. The public hearing for the District's 1999 budget was held on December 14, 1998.

■ The budget is adopted at the Board of Commissioners regular monthly meeting immediately following the public hearing.

Once the budget is approved, it can be amended by approval of a majority of the Board of Commissioners. The process of presenting and approving budget amendments follows a procedure similar to the one used to adopt the initial budget.

There was one amendment made to the budget that was initially adopted for 1998. The amendment was approved at a regular meeting of the District's Board of Commissioners on December 14, 1998. All budget appropriations lapse at year-end.

h. Cash, Cash Equivalents, and Investments:

Cash includes amounts in both interest and non-interest bearing demand deposits. Cash equivalents include amounts invested in certificates of deposit with original maturities of three months (90 days) or less.

Investments are stated at cost. At year end, investments consisted of cash invested in certificates of deposit with maturities greater than three months (90 days).

I. Inventories:

Inventories are valued by management at cost and estimated cost. Inventories consist primarily of sports equipment and uniforms. Inventories at year-end are equally offset by fund balance reserves.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

j. Prepaid Items:

Prepaid items are accounted for as expenditures in the period when the money is disbursed.

k. General Fixed Assets and Depreciation:

General fixed assets include any land, buildings, equipment, and vehicles owned by the District. All fixed assets are valued at historical cost, except for donated assets, which are valued at estimated fair market value at the date of donation. Fixed assets include \$2,000 of donated equipment. Public domain or infrastructures are not capitalized. In cases where assets are constructed with borrowed money the interest expense paid on the related debt is capitalized as part of the cost of the asset. No depreciation has been provided on assets in the General Fixed Assets Account Group.

It is the District's policy to capitalize purchases of moveable property costing at least \$250 and purchases of real property and improvements costing at least \$1,500. Purchases of moveable property costing less than \$250 may also be capitalized for internal control purposes.

l. Vacation and Sick Leave:

All permanent full-time employees earn from 10 to 20 days of vacation leave each year depending upon the number of years employed. All permanent, full-time employees earn from 5 to 60 days of sick leave each year depending upon the number of years employed. Vacation and sick leave cannot be accumulated. Accordingly, Recreation District No. 3 has not accrued any expenses relating to unused leave in the financial statements. The cost of current leave privileges is recognized as a current year expenditure in the General Fund when the leave is actually used.

m. Transfers and Interfund Loans:

Advances between funds which are not expected to be repaid are accounted for as transfers. In those cases where repayment is expected, the advances are accounted for through the various due from and due to accounts.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

n. Reservations and Designations of Fund Balances:

Reserved fund balances represent those portions of the fund balance which are either not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources as approved by the Board of Commissioners.

o. Management's Use of Estimates:

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

p. Total Column on the Statements:

The total columns in the General Purpose 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 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 2 - CASH AND CASH EQUIVALENTS

At December 31, 1998, the District has cash and cash equivalents totaling \$116,654 as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Totals</u>
Petty cash and cash for change	\$ 400	\$ -	\$ 400
Non-interest bearing demand deposits	14,941	-	14,941
Interest bearing demand deposits	3,164	290	3,454
Certificates of deposit	<u>97,859</u>	<u>-</u>	<u>97,859</u>
 Totals	 \$116,364 =====	 \$ 290 =====	 \$116,654 =====

Note 2 - CASH AND CASH EQUIVALENTS - (continued)

The cash and cash equivalents hereabove are stated at cost, which is equal to market value. The demand deposits are represented by 3 accounts at Hancock Bank which have a combined collected bank balance of \$38,423 as of December 31, 1998 and one account at Deposit Guaranty National Bank which has a collected balance of \$981 as of December 31, 1998. The certificates of deposit have original maturities of 90 days or less and are represented by 2 certificates of deposit at Hibernia National Bank.

The \$981 on deposit with Deposit Guaranty National Bank is covered entirely by federal deposit insurance. GASB Statement 3 categorizes the credit risk of this money as Category 1 because it is fully insured. Funds on deposit with Hancock Bank and Hibernia National Bank are covered from credit risk using a combination of federal deposit insurance and pledged securities. See Note 3 for additional discussion.

Petty cash and cash on hand for making change are unsecured.

Note 3 - INVESTMENTS

The District's primary purpose for investing is to earn interest income on money that has been determined to be in excess of immediate cash needs. State statutes authorize the District to invest temporarily idle monies in the following:

1. United States Treasury Bonds.
2. United States Treasury Notes.
3. United States Treasury Bills.
4. Obligations of U.S. Government Agencies, including such instruments as Federal Home Loan Bank bonds, Government National Mortgage Association bonds, or a variety of "Federal Farm Credit" bonds.
5. Fully collateralized certificates of deposit issued by qualified commercial banks and savings and loan associations located within the State of Louisiana.
6. Fully collateralized repurchase agreements.
7. Fully collateralized interest-bearing checking accounts.

Note 3 - INVESTMENTS - (continued)

8. Mutual and Trust Fund institutions which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States Government or its agencies.
9. Any other investment allowed by state statute for local governments.
10. Louisiana Asset Management Pool (LAMP).

At December 31, 1998, the District had not invested any of the General Fund money. However, investments at year end had been made in the Debt Service Fund as follows:

	<u>Carrying Value</u>	<u>Market Value</u>	<u>Maturity</u>	<u>Interest Rate</u>
Debt Service Fund:				
Certificates of deposit:				
Hibernia National Bank	\$243,819	\$243,819	03/15/99	5.00%
Hibernia National Bank	1,175	1,175	03/15/99	5.00%
Hancock Bank of Louisiana	256,688	256,688	03/15/99	4.85%
Hancock Bank of Louisiana	<u>33,505</u>	<u>33,505</u>	03/15/99	4.00%
 Total debt service fund	 \$535,187	 \$535,187		
	=====	=====		

Under state law, bank deposits 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 or exceed the amount on deposit with the fiscal agent bank. The pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Note 3 - INVESTMENTS - (continued)

At December 31, 1998, the District's collected bank balances were insured as follows:

	<u>Hibernia National Bank</u>	<u>Hancock Bank</u>	<u>Total</u>
Cash and cash equivalents	\$ 97,859	\$ 38,423	\$136,282
Investments	<u>244,994</u>	<u>290,193</u>	<u>535,187</u>
Total bank deposits	342,853	328,616	671,469
Federal deposit insurance coverage (A)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(200,000)</u>
Amounts not insured (B)	\$242,853 =====	\$228,616 =====	\$471,469 =====

(A) Category 1 - Represents amounts covered entirely by federal deposit insurance.

(B) Category 3 - Represents uncollateralized deposits. The securities that are pledged by the bank to cover these uninsured amounts are not in the District's name, however, the securities were being held by a custodial bank on behalf of the District's bank.

Although \$471,469 of bank balances are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank (entity holding the pledged securities) to advertise and sell the pledged securities within 10 days of being notified by the District that the District's bank has failed to pay deposited funds upon demand.

Note 4 - RECEIVABLES

The receivable for ad valorem taxes consists of actual collections of 1998 and prior year taxes that have been remitted to the District by the Livingston Parish Sheriff and Tax Collector through the end of February, 1999.

Management has deemed it unnecessary to set up an allowance for uncollectible accounts for these receivables because of the certainty of collection.

Note 5 - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 01-01-98	Additions	Deletions	Balance 12-31-98
Equipment & furniture	\$ 472,897	\$ 46,111	\$ (15,700)	\$ 503,308
Vehicles	39,368	12,563	(8,592)	43,339
Buildings & improvements	5,015,832	44,842	-	5,060,674
Land	537,909	-	-	537,909
Totals	\$6,066,006	\$ 103,516	\$ (24,292)	\$6,145,230
	=====	=====	=====	=====

Note 6 - CHANGES IN LONG-TERM DEBT

The following is a summary of the changes in general long-term debt of the District for the year ended December 31, 1998:

Long-term debt at 12/31/97	\$2,625,000
Additions during 1998	-
Reductions during 1998	<u>(100,000)</u>
Long-term debt payable at 12/31/98	\$2,525,000
	=====

The bonded debt at December 31, 1998, consists of the unpaid principal of public improvement bonds which were originally issued April 1, 1992. At December 31, 1998, there were outstanding interest payments totaling \$1,865,312. The remaining bonds will mature from 1999 to 2022 at interest rates ranging from 6.7 to 8 percent per annum. The bonds are secured by an ad valorem tax on real property within Recreation District No. 3 of Livingston Parish, Louisiana.

The annual requirements to amortize the remaining bonds outstanding at December 31, 1998, are as follows:

Year Ending	<u>Total</u>
1999	\$ 277,875
2000	269,875
2001	261,875
2002	253,875
2003	293,875
2004 and thereafter	<u>3,032,937</u>
	\$4,390,312
	=====

Note 7 - RETIREMENT PLANS

Plan Description:

Eligible employees of the Recreation District No. 3 are members of the Parochial Employees Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All eligible employees of the District are members of Plan A.

All permanent employees working at least 28 hours per week who are paid wholly or in part from parish funds and all elected parish officials are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service, or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of creditable service. However, for those employees who were members of the supplemental plan only before January 1, 1980, the benefit is equal to one percent of final average salary plus \$24 for each year of supplemental-plan-only service earned before January 1, 1980. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produce the highest average. Employees who terminate with at least the amount of creditable service stated above and do not withdraw their employee contributions may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual, publicly available, financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Parochial Employees' Retirement System, Post Office Box 14619, Baton Rouge, Louisiana 70898-4619, or by calling (225) 928-1361.

Note 7 - RETIREMENT PLANS - (continued)

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.5 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The rate for 1998 was 7.75 percent of annual covered payroll. Contributions to the System also include one-fourth of one percent (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The District's share of these contributions is deducted off the top of the ad valorem tax revenues to which the District is entitled. \$23,037 of ad valorem tax revenues for 1998 were withheld to pay for the District's share. The contribution requirements of plan members and the District are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The District's contribution to the System under Plan A for the year ending December 31, 1998 was \$12,786, equal to the required contribution for the year. The District's contributions for 1997 and 1996 were \$15,849 and \$11,941, respectively. These amounts were both equal to the required contributions for their respective years.

Recreation District No. 3 employees who are not eligible for the Parochial Employees Retirement System participate in the Federal Social Security program. The District is required to remit an amount equal to the employee's contribution. The current rate of contribution is 7.65% of an employee's gross pay until the employee's annual gross pay equals \$68,400. The rate is reduced to 1.45% of an employee's gross pay for amounts which exceed \$68,400. Recreation District No. 3 does not guarantee any of the benefits granted by the Federal Social Security Program.

Note 8 - RELATED PARTY TRANSACTIONS

There were no related party transactions in 1998.

Note 9 - LITIGATION

In February, 1992, a personal injury lawsuit was filed against the District. The plaintiff alleges improper ground maintenance at the North Park Recreation Center as the cause of a foot injury. Management questions the District's liability in this matter and intends to vigorously defend the claim.

Another personal injury lawsuit was filed against the District in August, 1995. The plaintiff alleges that he sustained injuries from a defective playground slide which was negligently maintained by the District. Management intends to defend this suit vigorously and does not expect the District to suffer any significant losses as a result of it.

The District does not carry general liability insurance to cover injuries like those which have been mentioned above. The District has not had to settle or pay any claims for incidents where it was uninsured. However, the District has established a \$25,000 reserve for potential damages that may be assessed against the District from claims that are not covered by insurance.

In November, 1998, a lawsuit was filed against the District for an automobile accident involving the District's van. The District's insurance policy provides coverage in the amount of \$100,000, combined single limit for bodily injury and property damage. Management estimates that any liability attributed to the District will be covered by the limits of its insurance policy.

Note 10 - INCOME TAXES

Recreation District No. 3 is exempt from all Federal and Louisiana income taxes.

Note 11 - 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 has been unable to obtain general liability insurance at a cost which is economically justifiable.

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation, vehicles, buildings and contents, and excess liability coverage for player injury. Settled claims resulting from these risks did not exceed commercial insurance coverage in any of the past three years.

Note 12 - CONTINGENCIES RELATED TO WASTE WATER TREATMENT

On May 15, 1997, a representative from the Louisiana Department of Environmental Quality brought a general permit application for waste water treatment to the District. The form was completed and sent back to the Department of Environmental Quality on December 9, 1997. After reviewing the application, the Department of Environmental Quality informed Recreation District No.3 that a general permit would not be applicable in this situation. A new form was sent (Form SCC-2) on February 16, 1998, to permit industrial waste.

After discussing the industrial permit with several people in the waste disposal business, the District's management decided that Recreation District No. 3 would be better off tying into the local sewage district, which has agreed to accept Recreation District No. 3 on its system. Bids of \$22,349 for pumping station installation and of \$16,248 for materials were accepted at the March 8, 1999 board meeting. The cost of this project is included in the 1999 budget.

Note 13 - PER DIEM PAID BOARD MEMBERS

Each member of the Board of Commissioners is eligible to receive a per diem allowance of \$50 for attending each regular or special meeting of the board, not to exceed 24 meetings in one calendar year. Board member Gene Quick, Jr. elected not to receive per diem payments for 1998. Per diems were paid to the other board members for the year ended December 31, 1998 as follows:

<u>Commissioner</u>	<u>Number Of Meetings</u>	<u>Amount Received</u>
Emily Dawsey	11	\$ 550
Van Foster, Jr.	8	400
Sid Garrison	9	450
Johnny Rowinsky	11	550
Donald Scott	8	400
Kelton Whitehead	12	<u>600</u>
Total		\$2,950 =====

SUPPLEMENTARY FINANCIAL INFORMATION

PUBLIC IMPROVEMENT BONDS, DATED APRIL 1, 1992
Interest Payable April 1st and October 1st of each year

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

December 31, 1998

<u>Maturity</u>	<u>Bond Number</u>	<u>Interest Rate</u>	<u>Yearly Payments</u>			<u>Outstanding</u>
			<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
1999	96 - 115	8.00%	100,000	177,875	277,875	2,425,000
2000	116 - 135	8.00%	100,000	169,875	269,875	2,325,000
2001	136 - 155	8.00%	100,000	161,875	261,875	2,225,000
2002	156 - 175	8.00%	100,000	153,875	253,875	2,125,000
2003	176 - 205	8.00%	150,000	143,875	293,875	1,975,000
2004	206 - 235	7.35%	150,000	132,362	282,362	1,825,000
2005	236 - 265	6.70%	150,000	121,825	271,825	1,675,000
2006	266 - 295	6.80%	150,000	111,700	261,700	1,525,000
2007	296 - 325	6.90%	150,000	101,425	251,425	1,375,000
2008	326 - 350	7.00%	125,000	91,875	216,875	1,250,000
2009	351 - 375	7.00%	125,000	83,125	208,125	1,125,000
2010	376 - 400	7.00%	125,000	74,375	199,375	1,000,000
2011	401 - 425	7.00%	125,000	65,625	190,625	875,000
2012	426 - 450	7.00%	125,000	56,875	181,875	750,000
2013	451 - 470	7.00%	100,000	49,000	149,000	650,000
2014	471 - 490	7.00%	100,000	42,000	142,000	550,000
2015	491 - 510	7.00%	100,000	35,000	135,000	450,000
2016	511 - 530	7.00%	100,000	28,000	128,000	350,000
2017	531 - 550	7.00%	100,000	21,000	121,000	250,000
2018	551 - 560	7.00%	50,000	15,750	65,750	200,000
2019	561 - 570	7.00%	50,000	12,250	62,250	150,000
2020	571 - 580	7.00%	50,000	8,750	58,750	100,000
2021	581 - 590	7.00%	50,000	5,250	55,250	50,000
2022	591 - 600	7.00%	50,000	1,750	51,750	-
Totals			\$2,525,000	\$1,865,312	\$4,390,312	
			=====	=====	=====	

DISCLOSURE ABOUT THE YEAR 2000 ISSUE

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

December 31, 1998

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure, which could affect the District's ability to conduct normal business operations.

DESCRIPTION OF WORK COMPLETED OR TO BE COMPLETED TO MAKE
THE DISTRICT'S COMPUTER SYSTEM AND OTHER ELECTRONIC EQUIPMENT
CRITICAL TO CONDUCTING OPERATION SYSTEM 2000 COMPLIANT

The District's management has taken action to minimize any adverse effects which might result from the year 2000 as follows.

GENERAL OPERATIONS

At this time, there is no known compliance exposure which will impact the operations of any machinery, equipment or vehicles owned by the District. The District's in-house computer system was tested by a consultant for Y2K compliance and all equipment that did not pass the Y2K validation tests were replaced in January, 1999. The District does not own any other computer or electronic equipment. Therefore, the District does not expect that the year 2000 will impact its ability to serve the general public using the tools that it has used in the past to provide these services.

PURCHASE OF GOODS AND SERVICES INTEGRAL
TO THE DISTRICT'S OPERATIONS

The District does not heavily rely on one vendor or a group of vendors to provide goods and services that the District needs to perform its routine functions. There are alternatives available whereby the District can acquire the goods and services it needs should the year 2000 prevent the usual vendors from meeting the District's needs.

PAYROLL

Payroll processing is done by an outside accounting firm. The accounting firm's owner, who is the District's Administrative Treasurer, has assured the District that the payroll software and computer system his firm uses were recently tested for Y2K compliance. Both the computer system and the payroll software successfully passed the Y2K validation tests. In the event any unexpected events occur which cause the software not to perform as expected, a manual calculation procedure is in place to ensure that payroll will be processed.

ACCOUNTING SYSTEMS

Financial statement preparation and basic bookkeeping services are performed at the Administrative Treasurer's office monthly. Computers are used in this process and have been tested and found to be Y2K compliant. The accounting software currently used will be updated to a new version in June, 1999. The update is expected to also be Y2K compliant. However, manual procedures for processing accounting have been planned for by the Administrative Treasurer in the event of power failure or other problems associated with the year 2000.

FINANCIAL RESOURCE COMMITMENTS

Management has not budgeted and does not expect to have to spend any significant amounts of money to change the District's normal operations to become year 2000 compliant. The computer systems used in processing the District's accounting data and to prepare payroll are owned by the Administrative Treasurer's accounting firm.

DISCLAIMER

Despite all the efforts the District's management can and will take to assess, remediate, and validate through testing the problems associated with the year 2000, management makes no guarantee that all systems and equipment used by the District, its outside accounting firm, suppliers, or other third parties will be year 2000 compliant.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

For the Year Ended December 31, 1998

I have audited the financial statements of Recreation District No. 3 of Livingston Parish, Louisiana as of and for the year ended December 31, 1998, and have issued my report thereon dated April 13, 1999. I conducted my 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. My audit of financial statements as of December 31, 1998 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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

Internal Control

Material Weaknesses ___ Yes X No
Reportable Conditions ___ Yes X No

Compliance

Compliance Material
to Financial Statements ___ Yes X No

- b. Federal Awards

There were not any federal awards. This section is not applicable.

- c. Identification of Major Programs

This section is not applicable.

Section II - Financial Statement Findings

No matters were reported.

Section III - Federal Award Findings and Questioned Costs

This section is not applicable.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Recreation District No. 3 of Livingston Parish, Louisiana
A Component Unit of the Livingston Parish Council
Denham Springs, Louisiana

For the Year Ended December 31, 1998

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

No findings.

SECTION II - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

No findings.

SECTION III - MANAGEMENT LETTER

1997 Item #1

Description: There were several instances where registration/program fees were not collected in full and/or were coded to the wrong programs.

Status: Resolved

1997 Item #2

Description: The Superintendent should review the general ledger to locate coding errors and correct them.

Status: Resolved

1997 Item #3

Description: There were discrepancies between fixed asset inventory additions and the general ledger account for equipment purchases.

Status: Resolved