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This report is intended for the information of the audit committee, management, and the Louisiana Legislative Auditor. However, this report is a matter of public record, and its distribution is not limited.

June 25, 1996

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE  
BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

We have audited the component unit financial statements of Recreation District No. 1 of St. Tammany Parish as of and for the years ended March 31, 1995 and 1996, and have issued our report thereon dated June 25, 1996.

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 component unit financial statements are free of material misstatement.

The management of Recreation District No. 1 of St. Tammany Parish is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of component unit financial statements in accordance with generally accepted accounting principles. Because of the inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the component unit financial statements of Recreation District No. 1 of St. Tammany Parish for the years ended March 31, 1995 and 1996, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies

Board of Commissioners

June 25, 1996

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Personnel Responsibilities

We noted that job descriptions did not list all authorities and responsibilities. Employees are not required to take vacations. A key log is not maintained as required by the board. These deficiencies may override the controls contained in the policies and procedures manual.

We recommend that the District expand the list of job descriptions with authorities and responsibilities and prohibit the assumption of non-listed duties without Director approval. Employees should be required to take vacations each year, with appropriate persons assuming their duties for that period. The Director should maintain a key log.

Property, Plant, and Equipment Inventory

We found that inventories of property, plant, and equipment were not complete. There is no procedure for disposing of property. The District should develop a procedure for maintaining records and disposing of property, plant, and equipment, rather than relying on the outside auditor to maintain these records.

We found other opportunities for improvement which were communicated orally to management and the Board President. This letter is intended for the information of management and others within the organization, as well as the Louisiana Legislative Auditor. However, this letter is a matter of public record.

June 25, 1996

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Board of Commissioners and  
Kathy Foley, Director  
Recreation District No. 1 of St. Tammany Parish

In planning and performing our audit of the financial statements of Recreation District No. 1 of St. Tammany Parish for the years ended March 31, 1995 and 1996, we considered its internal control structure in order to determine our audit procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. We previously reported on the control structure in our report dated June 25, 1996. This letter does not affect our audit report dated June 25, 1996, on the financial statements of Recreation District No. 1 of St. Tammany Parish. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

General Accounting Deficiencies

Conditions indicated a lack of appropriate accounting knowledge and supervision within the organization. We found during our audit, the Debt Service Fund cash, averaging about \$600,000, went nine months without earning interest. The bank has subsequently credited the account for the lost interest. We found during the course of our work that the bookkeeper, employed during the period under audit, did not have sufficient accounting knowledge to enable her to always properly record transactions. Subsequently, management has hired a certified public accountant to handle the bookkeeping duties.

We recommend a member of the Board of Commissioners serve as Treasurer for the District. The Treasurer should oversee the development of an accounting policies and procedures manual. Among other things, the manual should describe the criteria for establishing and discontinuing a fund, the specific activities to be accounted for in each fund, the types of transactions to be posted to each account, and the reports to be prepared. The Treasurer should supervise the bookkeeper, approve reconciliations and significant or unusual journal entries, and review reports, accounting policies, and procedures.

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MANAGEMENT LETTER

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

For the Two Years Ended March 31, 1996

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

STATEMENT OF CASH FLOWS -  
PROPRIETARY FUND TYPES

For the Years Ended March 31, 1996 and 1995

	1996		1995	
	Concessions	Sports	Concessions	Sports
<b>Cash Flows From Operating Activities</b>				
Net operating income	\$ 18,748	\$ 2,600	\$ 14,338	\$ 4,832
Depreciation	1,137		1,203	
(Increase) in accounts receivable		(4,627)		(140)
Decrease (increase) in inventory	(1,393)		857	
Decrease in due from other funds			1,361	
Increase in sales taxes payable	25		159	
Net cash provided by operating activities	18,517	(2,027)	17,918	4,692
<b>Cash Flows From Non-Capital Financing Activities</b>				
(Decrease) in due to other funds			(6,415)	
Transfers (to) from general fund	(18,000)	(2,146)	(15,000)	5,546
Net cash used for non-capital financing activities	(18,000)	(2,146)	(21,415)	5,546
Net cash flows from capital financing activities	0	0	0	0
<b>Cash Flows From Investing Activities</b>				
Interest earned on investments	242	119	187	178
Other income	1,794		2,938	
Net cash provided by investing activities	2,036	119	3,125	178
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	2,553	(4,054)	(372)	10,416
Cash and cash equivalents at beginning of year	10,008	10,416	10,380	0
Cash and cash equivalents at end of year	<u>\$ 12,561</u>	<u>\$ 6,362</u>	<u>\$ 10,008</u>	<u>\$ 10,416</u>

The accompanying notes are an integral part of these financial statements.

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes to Financial Statements  
March 31, 1996 and 1995  
(continued)

Basis of Accounting - Basis of accounting refers to when revenue 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 period in which it becomes both measurable and available. Miscellaneous revenues are recorded as revenue when received in cash. Ad valorem tax revenue is recorded when it is measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. An exception to this general rule is principal and interest on long-term debt which is recognized when due.

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

Cash and Investments - Under state law, the district may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes, repurchase agreements, or certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. Debt Service cash must be used to service the General Obligation Bonds.

The District's deposits for all funds at March 31, 1996 are summarized as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Demand deposit accounts	\$ 162,776	\$ 179,138
Money market accounts	<u>648,211</u>	<u>648,160</u>
Total deposits	<u>\$ 810,987</u>	<u>\$ 827,298</u>

Under state law, the bank balances of these 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. At March 31, 1996, \$224,692 of the bank balance was insured by Federal Deposit Insurance and the remaining balance of \$602,607 was insured with securities held by a third party institution pledged in the District's name.

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes To Financial Statements  
March 31, 1996 and 1995  
(continued)

Property, Plant and Equipment and Long-Term Liabilities - 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 fund type operations are accounted for on a spending or "financial flow" measurement focus and only current assets and current liabilities are generally included on their balance sheet.

General fixed assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the governmental funds and capitalized at historical cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded as general fixed assets at their estimated fair market value at the time received. No depreciation has been provided in general fixed assets. Interest paid in connection with self-constructed assets for general governmental purposes has been capitalized in the General Fixed Assets Account Group.

Long-term liabilities expected to be financed from governmental fund types are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

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.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

The proprietary fund is accounted on its cost of services or "capital maintenance" measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with its activity are included on its balance sheets. Its report fund equity (net total assets) is reported as retained earnings.

Depreciation is provided in the enterprise fund in amounts sufficient to relate the cost of the depreciable assets, to operations over their estimated service lives on the straight-line basis. The service lives by type of asset are as follows:

Furniture and equipment	7 - 10 years
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June 25, 1996

*Allen & Baxter*

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes to Financial Statements  
March 31, 1996 and 1995

Note 1 - Summary of significant accounting policies

The following is a summary of significant accounting policies followed by the Recreation District No. 1 of St. Tammany Parish in the preparation of its financial statements.

History- Recreation District No. 1 of St. Tammany Parish, Mandeville, Louisiana was originally created by the St. Tammany Parish Police Jury ordinance No. 623, dated April, 1975, as amended by ordinance No. 993, dated December, 1987. The District is operated as a component unit of St. Tammany Parish Jury and serves the area of Ward Four of St. Tammany Parish, Louisiana. The purpose of the District under R.S. 33:4562 of Louisiana State Law, is to own and operate playgrounds and other facilities, or generally to engage in activities which would promote recreation and any related activity designed to encourage recreation and promote the general health and well being of youth. The District is governed by a seven member board appointed by the St. Tammany Parish Police Jury and serves without compensation.

Basis of Presentation- The accompanying financial statements of the Recreation District No. 1 of St. Tammany Parish have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity- The reporting entity for St. Tammany Recreation District No. 1 of St. Tammany Parish consists of the St. Tammany Parish Police Jury, which as governing authority of the parish is the component unit with oversight responsibility and other governmental units (component units) within the parish over which the police jury exercises oversight responsibility. In accordance with GASB codification Section 2100, Recreation District No. 1 of St. Tammany Parish is considered a component unit of the parish reporting entity because: (1) commissioners of the district are appointed by the St. Tammany Parish Police Jury and (2) the district provides recreation facilities to residents within St. Tammany Parish. While Recreation District No., 1 of St. Tammany Parish is an integral part of the parish reporting entity and should be included within the general purpose financial statements of that reporting entity, GASB Codification Section 2600 provides that a component unit may also issue financial statements separate from those of the reporting entity. Accordingly, the accompanying financial statements present information only on the financial operations of Recreation District No. 1 of St. Tammany Parish and do not present information on the St. Tammany Parish Police Jury, the general government services provided by the police jury, or on other component units that comprise the St. Tammany Parish reporting entity.

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

We have audited the component unit financial statements of Recreation District No. 1 of St. Tammany Parish as of and for the years ended March 31, 1995 and 1996, and have issued our report thereon dated June 25, 1996.

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

Compliance with laws, regulations, contracts, and grants applicable to Recreation District No. 1 of St. Tammany Parish is the responsibility of Recreation District No. 1 of St. Tammany Parish's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Recreation District No. 1 of St. Tammany Parish's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the component unit financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*. We noted certain instances of noncompliance which do not meet the criteria for reporting, and we have reported these instances to the management of Recreation District No. 1 of St. Tammany Parish in a separate letter dated June 25, 1996.

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

STATEMENT OF REVENUE, EXPENSES, AND CHANGES  
IN RETAINED EARNINGS - PROPRIETARY FUND TYPES

For the Years Ended March 31, 1996 and 1995

	1996		1995	
	Concessions	Sports	Concessions	Sports
<b>OPERATING REVENUES</b>				
Concession sales	\$ 73,879	\$	\$ 57,072	\$
Sports fees		24,027		46,425
Fundraising				13,088
<b>Total Revenue</b>	<b>73,879</b>	<b>24,027</b>	<b>57,072</b>	<b>59,513</b>
<b>OPERATING EXPENSES</b>				
Salaries and burden	19,437		12,055	
Concession supplies	33,251		26,833	
Miscellaneous	323	18,011	720	42,224
Fundraising costs				8,391
Overhead charges		3,396		4,058
Depreciation	1,137		1,203	
Utilities	983		943	
Bank charges		20	89	
Equipment repair			891	8
<b>Total Operating Expenses</b>	<b>55,131</b>	<b>21,427</b>	<b>42,734</b>	<b>54,681</b>
<b>Operating Income</b>	<b>18,748</b>	<b>2,600</b>	<b>14,338</b>	<b>4,832</b>
<b>NON-OPERATING REVENUE</b>				
Interest income	242	119	187	178
Vending machine income	1,794		2,784	
Other income			154	
<b>Total Non-Operating Income</b>	<b>2,036</b>	<b>119</b>	<b>3,125</b>	<b>178</b>
<b>Net Income</b>	<b>\$ 20,784</b>	<b>\$ 2,719</b>	<b>\$ 17,463</b>	<b>\$ 5,010</b>
Transfers (to) from General Fund	(18,000)	(2,146)	(15,000)	5,546
Retained Earnings - Beginning of Year	13,510	10,556	11,047	0
Retained Earnings - End of Year	<u>\$ 16,294</u>	<u>\$ 11,129</u>	<u>\$ 13,510</u>	<u>\$ 10,556</u>

The accompanying notes are an integral part of these financial statements.

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

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

For the Years Ended March 31, 1996 and 1995

	1996		1995		Variance
	Budget	Actual	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>					
Ad valorem taxes	\$ 305,000	\$ 298,105	\$ 240,000	\$ 253,047	\$ 13,047
State revenue sharing	40,200	21,451	18,900	19,890	990
Interest income	6,750	5,081	4,200	8,718	4,518
Rental income	25,750	27,672	24,600	24,908	308
Light fees	16,260	15,045	12,125	10,734	(1,391)
Federal grant income		36,271			0
State grant income		661			0
Field preparation fees	8,300	7,428	6,234	7,563	1,329
Fund raising	3,200	2,590	4,100	3,120	(980)
Other income	2,430	1,716	2,409	4,076	1,667
<b>Total Revenue</b>	<b>407,890</b>	<b>416,020</b>	<b>312,568</b>	<b>332,056</b>	<b>19,488</b>
<b>EXPENDITURES</b>					
Recreation					
Salaries					
Field maintenance	174,862	146,343	140,643	144,218	(3,575)
Insurance expense	35,875	37,118	37,000	23,864	13,136
Legal & professional	40,160	32,650	13,632	31,303	(17,671)
Office expense	3,150	2,503	4,000	3,650	350
Miscellaneous expense	6,862	4,887	5,155	4,922	233
Payroll tax expense	9,801	3,781	9,569	5,478	4,091
Repairs & maintenance	13,170	12,507	11,529	9,423	2,106
Statutory expense	17,338	14,417	8,253	6,904	1,349
Telephone & utilities		9,056		7,759	(7,759)
Tools & supplies	40,833	35,169	40,947	40,365	582
Travel & professional development	8,245	10,319	7,129	14,315	(7,186)
Capital Outlay	4,514	2,528	3,546	2,013	1,533
	145,608	99,652	147,569	74,536	73,033
<b>Total Expenditures</b>	<b>500,418</b>	<b>410,930</b>	<b>428,972</b>	<b>368,750</b>	<b>60,222</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ (92,528)</b>	<b>\$ (2,692)</b>	<b>\$ (116,404)</b>	<b>\$ (36,694)</b>	<b>\$ 79,710</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>					
OTHER SOURCES & USES		350,890		328,721	
PRIOR PERIOD RECLASSIFICATION					
TRANSFERS (TO) FROM OTHER FUNDS		20,146		49,408	
<b>FUND BALANCE - END OF YEAR</b>		<b>\$ 373,728</b>		<b>\$ 350,890</b>	

The accompanying notes are an integral part of these financial statements.

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

For the Years Ended March 31, 1996 and 1995

	1996				1995			
	Governmental Fund Types			Total (Memorandum Only)	Governmental Fund Types			Total (Memorandum Only)
	General	Debt Service	Capital Projects		General	Debt Service	Capital Projects	
<b>REVENUES</b>								
Ad valorem taxes	\$ 298,105			\$ 548,088	\$ 253,047			\$ 538,742
State revenue sharing	21,451			21,451	19,890			19,890
Bond Proceeds				1,610,000				0
Interest income	5,081	1,610,000		28,807	8,718			19,189
Rental income	27,672	23,726		27,672	24,908	10,471		24,908
Light fees	15,045			15,045	10,734			10,734
Federal grant income	36,271			36,271				0
State grant income	661			661				0
Field preparation fees	7,428			7,428	7,563			7,563
Fund raising	2,590			2,590	3,120			3,120
Other income	1,716			1,716	4,076			4,076
<b>Total Revenue</b>	<b>416,020</b>	<b>1,883,709</b>	<b>0</b>	<b>2,299,729</b>	<b>332,056</b>	<b>296,166</b>	<b>0</b>	<b>628,222</b>
<b>EXPENDITURES</b>								
Recreation								
Salaries	146,343			146,343	144,218			144,218
Field maintenance	37,118			37,118	23,864			23,864
Insurance expense	32,650			32,650	31,303			31,303
Legal & professional	2,503			2,503	3,650			3,650
Office expense	4,887			4,887	4,922			4,922
State land lease	2,398			2,398	5,478			5,478
Miscellaneous expense	3,781			3,781	9,423			9,423
Payroll tax expense	12,507			12,507	6,904			6,904
Repairs & maintenance	14,417			14,417	7,759			16,520
Statutory expense	9,056			9,056	40,365	8,761		40,365
Telephone & utilities	35,169		7,595	35,169	14,315			14,315
Tools & supplies	10,319			10,319	2,013			2,013
Travel & professional development	2,528			2,528				
Debt Service								
Principal								
Interest and fiscal charge	105,000			105,000				70,000
Bond Retirement	101,886			101,886				143,540
Bond Issue Costs	1,633,159			1,633,159				0
Capital Outlay								0
	99,652			63,522	74,536		14,962	89,498
				169,270				
<b>Total Expenditures</b>	<b>413,328</b>	<b>1,847,640</b>	<b>232,792</b>	<b>2,493,760</b>	<b>368,750</b>	<b>222,301</b>	<b>14,962</b>	<b>606,013</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>\$ 2,692</b>	<b>\$ 36,069</b>	<b>\$ (232,792)</b>	<b>\$ (194,031)</b>	<b>\$ (36,694)</b>	<b>\$ 73,865</b>	<b>\$ (14,962)</b>	<b>\$ 22,209</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>350,890</b>	<b>658,281</b>	<b>0</b>	<b>1,009,171</b>	<b>328,721</b>	<b>633,824</b>	<b>14,962</b>	<b>977,507</b>
<b>OTHER SOURCES &amp; USES PRIOR PERIOD RECLASSIFICATION TRANSFERS (TO) FROM OTHER FUNDS</b>	<b>20,146</b>			<b>20,146</b>	<b>49,408</b>	<b>(49,408)</b>		<b>0</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 373,728</b>	<b>\$ 694,350</b>	<b>\$ (232,792)</b>	<b>\$ 835,286</b>	<b>\$ 350,890</b>	<b>\$ 658,281</b>	<b>\$ 0</b>	<b>\$ 1,009,171</b>

The accompanying notes are an integral part of these financial statements.

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

COMBINED BALANCE SHEET -  
ALL FUND TYPES AND ACCOUNT GROUPS

MARCH 31, 1996

	Governmental Fund Types			Proprietary Fund Types			Account Groups		Total (Memorandum Only)
	General	Debt Service	Capital Projects	Concessions	Sports	General Fixed Assets	General Long-term Debt		
<b>ASSETS</b>									
Cash and cash equivalents	\$ 148,583	\$ 643,956	\$	\$ 12,561	\$ 6,362	\$	\$	\$	\$ 811,462
Accounts receivable	44,881	37,636			4,767				4,767
Ad valorem taxes receivable	7,349								82,517
State revenue sharing receivable	34,381								7,349
Federal grants receivable	661								34,381
State grants receivable									661
Interest receivable		12,758							12,758
Due from other funds	122,799								122,799
Inventory				1,523					1,523
Investments	15,000								15,000
Prepaid Expenses	6,560								6,560
Property, plant, and equipment, (net)									2,829,717
Amount available in debt service fund				3,222		2,826,495	694,350		694,350
Amount to be provided for estimated liability of compensated absences									19,081
Amount to be provided for retirement of general long-term debt									19,081
<b>Total Assets</b>	<b>\$ 380,214</b>	<b>\$ 694,350</b>	<b>\$ 0</b>	<b>\$ 17,306</b>	<b>\$ 11,129</b>	<b>\$ 2,826,495</b>	<b>\$ 1,779,081</b>	<b>\$ 1,065,650</b>	<b>\$ 5,708,575</b>
<b>LIABILITIES</b>									
Accrued salaries and payroll taxes	\$ 6,486	\$	\$	\$	\$	\$	\$	\$	\$ 6,486
Accounts payable			109,993						109,993
Due to other funds			122,799						122,799
Estimated liability for compensated absences									19,081
General obligation bonds							1,760,000		1,760,000
Other liabilities				1,012					1,012
<b>Total Liabilities</b>	<b>6,486</b>	<b>0</b>	<b>232,792</b>	<b>1,012</b>	<b>0</b>	<b>0</b>	<b>1,779,081</b>	<b>1,012</b>	<b>2,019,371</b>
<b>FUND EQUITY</b>									
Investment in general fixed assets									2,826,495
Retained earnings - unreserved				16,294	11,129				27,423
Fund balance									694,350
Reserved for debt service									140,936
Unreserved	373,728	694,350	(232,792)						3,689,204
<b>Total Fund Equity</b>	<b>373,728</b>	<b>694,350</b>	<b>(232,792)</b>	<b>16,294</b>	<b>11,129</b>	<b>0</b>	<b>1,779,081</b>	<b>0</b>	<b>3,689,204</b>
<b>Total Liabilities and Fund Equity</b>	<b>\$ 380,214</b>	<b>\$ 694,350</b>	<b>\$ 0</b>	<b>\$ 17,306</b>	<b>\$ 11,129</b>	<b>\$ 2,826,495</b>	<b>\$ 1,779,081</b>	<b>\$ 1,012</b>	<b>\$ 5,708,575</b>

The accompanying notes are an integral part of these financial statements.

Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated June 25, 1996 on our consideration of Recreation District No. 1 of St. Tammany Parish's internal control structure and a report dated June 25, 1996 on its compliance with laws and regulations.

June 25, 1996

Allen & Baxter



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying component unit financial statements of Recreation District No. 1, component unit of St. Tammany Parish, Louisiana, as of and for the years ended March 31, 1995 and 1996. These component unit financial statements are the responsibility of the management of Recreation District No. 1 of St. Tammany Parish. Our responsibility is to express an opinion on these component unit 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 component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall component unit financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Recreation District No. 1 of St. Tammany Parish as of March 31, 1995 and 1996, and the results of its operations and cash flows of its proprietary fund types for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the component unit financial statements of Recreational District No.1, component unit of St. Tammany Parish, Louisiana, taken as a whole. The accompanying Schedule of Federal Financial Assisitance is presented for purposes of additonal analysis and is not a required part of the component unit financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes to Financial Statements  
March 31, 1996 and 1995  
(continued)

Cash and Investments - continued - For the purpose of the statement of Cash Flows, the District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The District owns three registered \$10,000 Series EE Savings Bonds on March 31, 1996 which had a fair market value on that date of \$16,788 in the aggregate. The District also bought and sold a \$100,000 Treasury Bill during the period under audit.

Ad Valorem Tax Revenues - Ad valorem taxes are recognized as revenue in the year they are levied because they are considered both measurable and available.

Taxes are levied by the District on December 1 of each year. Billed taxes become delinquent on January 1 and attach as enforceable on the property.

The St. Tammany Parish Tax Collector bills and collects the District's ad valorem taxes using the assessed value determined by the tax assessor of St. Tammany Parish, Louisiana.

Inventory - Inventory consists of concession supplies valued at cost, which approximates market. Cost is determined using first-in, first-out valuation method. The cost of Inventory is recorded as an expense when consumed rather than when purchased.

Vacation and Sick Leave - All full time salaried employees earn 10 Vacation days and 12 sick days per year. The unused portion of Vacation and sick time can accumulate from year to year.

Total Columns on Combined Statements - Overview - Total columns on the combined statements - overview are captioned "Memorandum only" to indicate that they are 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 consolidation. Interfund eliminations have not been made in the aggregation of this data.

General Obligation Bonded Debt Service - The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. The ad valorem tax rate is adjusted as needed for the Debt Service fund based on the projected requirement for debt service on general obligation bonded debt.

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes To Financial Statements  
March 31, 1996 and 1995  
(continued)

Fund Accounting- The accounts of the Recreation District No. 1 of St. Tammany Parish are organized on the basis of the funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprised of each fund's assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into four generic fund types and two broad fund categories as follows:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the Recreation District No. 1 of St. Tammany Parish. It is used to account for all financial resources except those required to be accounted for in another fund.

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 Project Funds - These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund Types

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

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

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and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the component unit financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

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

We noted an absence of appropriate segregation of duties consistent with appropriate control objectives. During the periods under audit, the bookkeeper had check signing authority and was responsible for preparing some bank deposits and delivering the deposits to the bank. The bookkeeper also reconciled the bank accounts. Management has subsequently modified these procedures by removing the bookkeeper as a check signer and having someone other than the bookkeeper handle the deposits.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the component unit financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

We also noted other matters involving the internal control structure and its operation that we have reported to the management of Recreation District No. 1 of St. Tammany Parish in a separate letter dated June 25, 1996.

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Schedule of Federal Financial Assistance  
For the Year Ended March 31, 1996

<u>Federal Grantor/Pass- through Grantor/ Program Title</u>	<u>Federal Number</u>	<u>Federal Expenditures</u>
U.S. Department of Culture, Recreation & Tourism:	22-00818	
Pass-through from Office of State Parks, Land and Water Conservation Fund Program		
Pelican Park Improvements		\$36,271

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Schedule of General Fixed Assets  
March 31, 1996

The following fixed assets are not used in the proprietary fund operations:

General Fixed Assets	
Building Improvements	\$ 6,765
Equipment	104,847
Recreation Equipment	24,346
Transportation Equipment	7,392
Building and Other Property	<u>2,683,145</u>
Total General Fixed Assets	<u>\$2,826,495</u>
Investments in General Fixed Assets From	
General Fund	\$ 304,101
Debt Service Fund, interest	75,470
Capital Projects Fund	
General Obligation Bonds	2,439,924
Donations	<u>7,000</u>
Total Investment in General Fixed Assets	<u>\$2,826,495</u>

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes to Financial statements  
March 31, 1996 and 1995  
(continued)

Note 6 - State land leases

The District leases land from the State of Louisiana under a renewable operating lease which commenced on September 1, 1995 and expires on August 31, 2005. Under the prior lease agreements, the District leased the land rent-free from the State. Future minimum lease payments cannot be calculated since this is based on the amount of timber and timber prices, however, the amount paid to the State for the period September 1, 1995 through August 31, 1996 was \$4,111, which was paid before March 31, 1996. The District has complied with all provisions of the leases for the two years ended March 31, 1996.

Note 7 - Prior period reclassification

A reclassification was required because prior financial statements had shown statutory expenses (or state pension costs) only on the General Fund's Statement of Revenues, Expenditures and Changes in Fund Balances. A portion of these costs were related to the ad valorem revenues of the Debt Service Fund and should have been shown as an expenditure of that fund. The statutory expenses plus other minor reclassifications for Debt Service from April 1, 1988 through March 31, 1994 summed to \$49,408.

Note 8 - Subsequent events

On January 20, 1996, the voters of St. Tammany Parish agreed to a proposed issuance of \$9,850,000 in General Obligation Bonds for the purpose of significantly expanding the park facilities. The Board authorized the bonds on March 20th and they were issued on May 1, 1996.

The District has changed its year-end to December 31 to match St. Tammany Parish's year-end.



Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes to Financial statements  
March 31, 1996 and 1995  
(continued)

The following is a summary of yearly principal and interest debt service requirements to maturity:

Year Ended <u>March 31</u>	<u>Amount</u>
1997	\$ 203,430
1998	199,050
1999	200,670
2000	205,090
2001	198,850
2002	202,415
2003	200,345
2004	202,877
2005	204,740
2006	205,912
2007	206,376
2008	<u>211,200</u>
Total	<u>\$2,440,955</u>

During December, 1995, the District issued \$1,700,000 in General Obligation Bonds, Series 1995, with interest rates ranging from 4.25% to 5.60% to refund \$1,465,000 of the outstanding General Obligation Bonds, Series 1988, with interest rates ranging from 6.25% to 7.30%. The net proceeds of the issue plus additional existing funds were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the 1988 bonds. As of March 31, 1996, \$1,465,000 of the 1988 bonds remain outstanding but are considered defeased. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the District's financial statements.

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes to Financial Statements  
March 31, 1996 and 1995  
(continued)

Note 4 - Due to/from other funds

As of March 31, 1996 interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund		\$122,799
Capital Projects Fund	\$122,799	

Note 5 - Changes in general long-term debt

The following is a summary of the District's long-term debt transactions for the two years ended March 31, 1996:

Balance March 31, 1994	\$1,790,000
1995 payments of long-term debt	(70,000)
December 1995 defeasement of the Series 1988 general obligation bonds	(1,465,000)
December 1995 issuance of Series 1995 general obligation bonds	1,610,000
1996 payments of long-term debt	<u>(105,000)</u>
Balance March 31, 1996	<u>\$1,760,000</u>

Debt outstanding as of March 31, 1996 consists of the following:

1988 General Obligation Bonds dated June 15, 1988 for \$2,100,00 with interest payable March 1 and September 1 each year and principal payable March 1 each year; secured by Ad Valorem Taxes.	\$ 175,000
1995 General Obligation Bonds dated December 21, 1995 for \$1,700,000 with interest payable March 1 and September 1 each year and principal payable March 1 each year; secured by Ad Valorem Taxes.	<u>1,585,000</u>
	<u>\$1,760,000</u>

Recreation District No. 1  
of St. Tammany Parish, Louisiana  
Notes to Financial Statements  
March 31, 1996 and 1995  
(continued)

Budget and Budgetary Accounting - The District is required to prepare an annual budget to reflect the District's activities, including maintenance programs, programming, and capital projects. The budget is prepared and approved by the Board of commissioners by a majority of the members. The budget is prepared on the modified accrual basis of accounting which is consistent with generally accepted accounting principles. All appropriations lapse at the end of the fiscal year. The budget information presented is after amendments, which may only be made by the board, and our reclassifications, so that comparisons to actual may be properly made.

Note 2 - Ad valorem taxes

On May 18, 1988, the Recreation District No. 1 of St. Tammany Parish, Louisiana, was authorized to levy a special ad valorem tax of 3 mills for the maintenance and operation of the District and 5.5 mills for the payment of principal and interest on \$2,100,000 general obligation bonds dated June 15, 1988. On August 18, 1993, the ad valorem tax for the payment of principal and interest on the general obligation bonds was changed to 2.6 mills.

Note 3 - Property, plant, and equipment

A summary of changes in the general fixed assets are as follows:

	Balance March 31, <u>1994</u>	March 31, 1995 <u>Additions</u>	March 31, 1996 <u>Additions</u>	Balance March 31, <u>1996</u>
Equipment	\$ 113,378	\$ 24,636	\$ 5,336	\$ 143,350
Property	<u>2,387,052</u>	<u>64,862</u>	<u>231,231</u>	<u>2,683,145</u>
	<u>\$2,500,430</u>	<u>\$ 89,498</u>	<u>\$236,567</u>	<u>\$2,826,495</u>

A summary of property, plant, and equipment of the Enterprise Fund at March 31, 1996 is as follows:

Equipment	\$ 8,117
Less: Accumulated Depreciation	<u>(4,895)</u>
Net	<u>\$ 3,222</u>

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COMPONENT UNIT FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

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

For the Two Years Ended March 31, 1996

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 OCT 16 1996