

**Terrebonne Parish Recreation District No. 3
Houma, Louisiana**

**Annual Financial Report
As of and for the
Year Ended December 31, 2003**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 8/25/04

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, Attorney General, and other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor and at the office of the parish clerk of court.

Terrebonne Parish Recreation District No. 3
Annual Financial Report
As of and for the Year Ended December 31, 2003

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying basic financial statements of the governmental activities of Terrebonne Parish Recreation District No. 3 (the District), a component unit of the Terrebonne Parish Consolidated Government (the Parish), as of and for the year ended December 31, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Terrebonne Parish Recreation District No. 3 as of December 31, 2003, and the changes in financial position and the budgetary comparison for the District for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

To the Board of Commissioners
Terrebonne Parish Recreation District No. 3
Houma, Louisiana
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In accordance with *Government Auditing Standards*, we have also issued a report dated May 11, 2004 on our consideration of the Terrebonne Parish Recreation District No. 3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

A handwritten signature in cursive script, reading "Martinane Pelfi".

May 11, 2004

FINANCIAL STATEMENTS

Terrebonne Parish Recreation District No. 3

**Statement of Net Assets and
Governmental Fund Balance Sheet
December 31, 2003**

	<u>General Fund</u>	<u>Adjustments (Page 5)</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 16,395	\$ -	\$ 16,395
Taxes receivable	6,625	-	6,625
Due from other governmental units	80,676	-	80,676
Deposit	70	-	70
Capital assets	-	408,000	408,000
Accumulated depreciation	-	(192,838)	(192,838)
Total Assets	<u>\$ 103,766</u>	<u>\$ 215,162</u>	<u>\$ 318,928</u>
Liabilities			
Accounts payable	\$ 1,453		\$ 1,453
Due to Terrebonne Parish Consolidated Government	3,949		3,949
Deferred revenue	<u>95,438</u>		<u>95,438</u>
Total Liabilities	<u>100,840</u>		<u>100,840</u>
Fund Balance / Net Assets			
Fund balance - unreserved	<u>2,926</u>	<u>(2,926)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 103,766</u>		
Net Assets			
Invested in capital assets		215,162	215,162
Unrestricted		<u>2,926</u>	<u>2,926</u>
Total Net Assets		<u>\$ 218,088</u>	<u>\$ 218,088</u>

The accompanying notes are an integral part of this statement.

Terrebonne Parish Recreation District No. 3

**Statement of Activities and Statement of Governmental
Fund Revenues, Expenditures,
and Changes in Fund Balance
For the Year Ended December 31, 2003**

	<u>General Fund</u>	<u>Adjustments (Page 5)</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 80,707		\$ 80,707
Intergovernmental:			
State of Louisiana:			
State revenue sharing	6,032		6,032
Charges for services	38,136		38,136
Miscellaneous:			
Interest income	<u>120</u>		<u>120</u>
Total Revenues	<u>124,995</u>		<u>124,995</u>
Expenditures			
Current:			
General government:			
Ad valorem tax adjustment	227		227
Ad valorem tax deductions	<u>3,636</u>		<u>3,636</u>
Total general government	<u>3,863</u>		<u>3,863</u>
Culture and recreation:			
Personal services	27,121	\$ -	27,121
Supplies and materials	23,539	-	23,539
Other services and charges	19,643	-	19,643
Repairs and maintenance	24,828	-	24,828
Depreciation	<u>-</u>	<u>14,843</u>	<u>14,843</u>
Total culture and recreation	<u>95,131</u>	<u>14,843</u>	<u>109,974</u>
Capital outlay	<u>2,166</u>	<u>(2,166)</u>	<u>-</u>
Total Expenditures	<u>101,160</u>	<u>12,677</u>	<u>113,837</u>
Revenues Over Expenditures	23,835	(23,835)	-
Change in Net Assets	-	11,158	11,158
Fund Balance/Net Assets			
Beginning of year	<u>(20,909)</u>	<u>227,839</u>	<u>206,930</u>
End of year	<u>\$ 2,926</u>	<u>\$ 215,162</u>	<u>\$ 218,088</u>

The accompanying notes are an integral part of this statement.

Terrebonne Parish Recreation District No. 3

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
For the Year Ended December 31, 2003**

Fund balance - governmental fund	\$	2,926
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of \$408,000, net of accumulated depreciation of \$192,838, are not financial resources and, therefore, are not reported in the governmental fund		<u>215,162</u>
Net assets of governmental activities	\$	<u>218,088</u>

**Reconciliation of the Statement of Governmental Fund Revenues,
Expenditures and Changes in Fund Balance to the
Statement of Activities
For the Year Ended December 31, 2003**

Change in fund balance - governmental fund	\$	23,835
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental fund reports capital outlays as expenditures whereas in the statement of activities these costs are depreciated over their estimated useful lives		
Depreciation expense	(14,843)	
Capital outlays	<u>2,166</u>	<u>(12,677)</u>
Change in net assets of government activities	\$	<u>11,158</u>

The accompanying notes are an integral part of this statement.

Terrebonne Parish Recreation District No. 3

**Statement of Revenue, Expenditures, and
Changes in Fund Balance—Budget and Actual-General Fund
Year Ended December 31, 2003**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Over/(Under)
	Original	Final		
Revenues				
Taxes	\$ 79,000	\$ 79,000	\$ 80,707	\$ 1,707
Intergovernmental:				
State of Louisiana:				
State revenue sharing	5,000	5,000	6,032	1,032
Charges for services	35,000	35,000	38,136	3,136
Miscellaneous:				
Interest income	100	100	120	20
Total Revenues	<u>119,100</u>	<u>119,100</u>	<u>124,995</u>	<u>5,895</u>
Expenditures				
General government:				
Ad valorem tax adjustment/deductions	<u>3,000</u>	<u>3,000</u>	<u>3,863</u>	<u>863</u>
Culture and recreation:				
Personal services	25,000	25,000	27,121	2,121
Supplies and materials	32,000	32,000	23,539	(8,461)
Other services and charges	20,000	20,000	19,643	(357)
Repairs and maintenance	<u>16,000</u>	<u>16,000</u>	<u>24,828</u>	<u>8,828</u>
Total culture and recreation	<u>93,000</u>	<u>93,000</u>	<u>95,131</u>	<u>2,131</u>
Capital outlay	<u>2,000</u>	<u>2,000</u>	<u>2,166</u>	<u>166</u>
Total Expenditures	<u>98,000</u>	<u>98,000</u>	<u>101,160</u>	<u>3,160</u>
Revenues Over Expenditures	21,100	21,100	23,835	2,735
Net Assets				
Beginning of year	<u>(20,909)</u>	<u>(20,909)</u>	<u>(20,909)</u>	<u>-</u>
End of year	<u>\$ 191</u>	<u>\$ 191</u>	<u>\$ 2,926</u>	<u>\$ 2,735</u>

The accompanying notes are an integral part of this statement.

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Because the Terrebonne Parish Consolidated Government appoints the governing board and thusly can impose its will, the Terrebonne Parish Recreation District No. 3 was determined to be a component unit of the Terrebonne Parish Consolidated Government, the governing body of the parish and the governmental body with financial accountability. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Consolidated Government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

A. REPORTING ENTITY

The District is a component unit of Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2003. The District has reviewed all of its activities and determined that there are no potential component units that should be included in its financial statements.

B. CHANGE IN ACCOUNTING

In June 1999, GASB unanimously approved Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments. One of the more significant changes in Statement No. 34 includes for the first time Management’s Discussion and Analysis (MD&A) section providing an analysis of the District’s overall financial position and results of operations and financial statements prepared using full accrual accounting for all of the District’s activities. The District has not presented Management’s Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements (including notes to financial statements).

C. BASIS OF PRESENTATION

The District’s basic financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements.

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of the District. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues.

Fund Financial Statements:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of Statement No. 34. The daily accounts and operations of the District continue to be organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following is the Governmental Fund of the District:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Fund Financial Statements:

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Ad valorem taxes and the related state revenue sharing (Intergovernmental revenue) are recognized as revenue in the period for which levied, thus the 2003 property taxes which are being levied to finance the 2004 budget will be recognized as revenue in 2004. The 2003 tax levy is recorded as deferred revenue in the District's 2003 financial statements. Charges for services are recorded when earned since they are measurable and available. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Allocations of cost such as depreciation are not recognized in the governmental funds.

E. USE OF ESTIMATES

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

F. OPERATING BUDGETARY DATA

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) adopted a budget for the District's General Fund. The Board, as allowed by state law, does not obtain public participation in the budget process. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District did not amend its budget during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year-end.

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The General Fund budget is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America.

The General Fund budget presentation is included in the basic financial statements.

G. ACCOUNTS RECEIVABLE

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial positions or operations of the funds.

H. CAPITAL ASSETS

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$1,000 or more are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows:

Buildings	5 - 20 years
Improvements other than building	5 - 20 years
Machinery and equipment	5 - 20 years

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

I. VACATION AND SICK LEAVE

The District has one full-time employee. There is no material accumulated unpaid vacation and sick leave as of December 31, 2003. Salaries and related employee benefits are paid by the Parish and subsequently reimbursed by the District. All salaries and related employee benefits transactions are reflected as personal services.

J. FUND EQUITY

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. As of December 31, 2003, the District had no outstanding borrowings.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2003 and for the year then ended, the District did not have or receive restricted net assets.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

NOTE 2 – DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of any bank domiciled or having a branch in the state of Louisiana or any other federally insured investment.

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 2 – DEPOSITS (Cont.)

State law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the District or its agent in the District's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department or its agent in the District's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agents but not in the district's name and deposits which are uninsured or uncollateralized.

As of December 31, 2003, the bank balances of deposits is as follows:

	Bank Balance	Category		
		1	2	3
Cash and cash equivalents	\$ 23,717	\$ 23,717	\$ -	\$ -

As of December 31, 2003, cash was not in excess of FDIC insurance.

NOTE 3 – PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. A reevaluation was completed for the list of January 1, 2000. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 2003 was \$7.00 per \$1,000 of assessed valuation on property within Recreation District No. 3 for the purpose of constructing, maintaining and operating recreational facilities within the District. As indicated in Note 1D, taxes levied November 1, 2003 are for budgeted expenditures in 2004 and will be recognized as revenues in 2004.

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 4 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units as of December 31, 2003 consisted of the following:

Terrebonne Parish Tax Collector - December 2003/ Collections remitted to the District in January 2004			
Ad valorem taxes	\$	74,529	
State revenue sharing		2,049	
State of Louisiana - State revenue sharing			4,098
		\$	80,676

NOTE 5 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	Balance January 1, 2003	Additions	Deletions	Balance December 31, 2003
Land	\$ 102,098	\$ -	\$ -	\$ 102,098
Buildings	64,963	-	-	64,963
Improvements other than buildings	150,205	-	-	150,205
Machinery and equipment	88,568	2,166	-	90,734
Total capital assets	405,834	2,166	-	408,000
Less accumulated depreciation for:				
Buildings	(48,192)	(2,982)	-	(51,174)
Improvements other than buildings	(57,155)	(7,923)	-	(65,078)
Machinery and equipment	(72,648)	(3,938)	-	(76,586)
Total accumulated depreciation	(177,995)	(14,843)	-	(192,838)
Total capital assets, net	\$ 227,839	\$ (12,677)	\$ -	\$ 215,162

Terrebonne Parish Recreation District No. 3
Notes to Financial Statements
As of and for the Year Ended December 31, 2003

NOTE 6 – DUE TO TERREBONNE PARISH CONSOLIDATED GOVERNMENT

Amounts due to Terrebonne Parish Consolidated Government (the Parish) as of December 31, 2003 consisted of the following:

Salary reimbursement	\$	2,087
Insurance		1,229
Accounting services		600
Telephone		33
	\$	3,949

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters for which the District carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation, group insurance and auto liability. No settlements were made during the year that exceeded the District's insurance coverage. The District pays monthly premiums to the Parish for workers' compensation based on a fixed percentage of payroll. The District's premiums for general liability are based on various factors such as its operations and maintenance budget, exposure and claims experience. The premium for group insurance is based on a fixed rate per employee. The premium for auto liability is based on claims experience, vehicle type and mileage. The Parish handles all claims filed against the District related to workers' compensation and general liability. The District could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

<u>Policy</u>	<u>Coverage Limits</u>
General liability	\$ 6,000,000
Workers' compensation	Statutory
Auto Liability	\$ 6,000,000

Coverage for general liability, workers' compensation and auto claims in excess of the stated limits above are to be funded first by assets of the Parish's risk management internal service fund, \$3,448,479 as of December 31, 2002, then secondly by the District. The Parish is self-insured for the first \$125,000 of each claim relating to group health. The aggregate deductible of all group claims for 2002 was \$8,550,420. Insurance contracts cover excess liability, up to \$1,000,000 on individual claims. Each employee is subject to a lifetime maximum claims limit of \$1,000,000 on individual claims. As of December 31, 2002, the District had no claims in excess of the above coverage limits. Expenditures for premiums to the parish for insurance coverages during the year ended December 31, 2003 totaled \$4,274.

NOTE 8 – COMPENSATION OF BOARD MEMBERS

As set forth in the District's by-laws, the Board serves without compensation.

SPECIAL REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

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and
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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
Terrebonne Parish Recreation District No. 3
Houma, Louisiana

We have audited the basic financial statements of the Terrebonne Parish Recreation District No. 3 as of and for the year ended December 31, 2003, and have issued our report thereon dated May 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Terrebonne Parish Recreation District No. 3's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

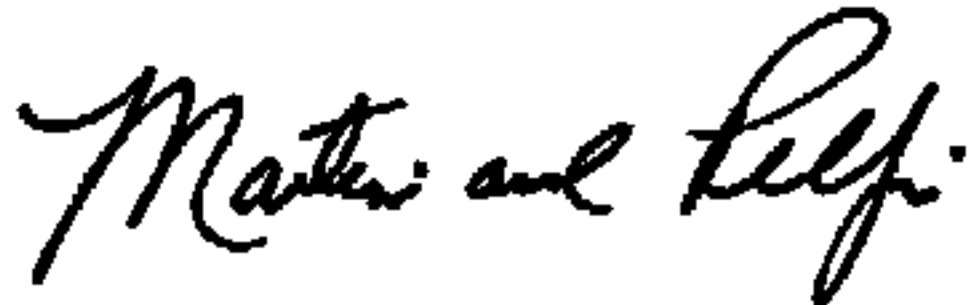
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 03-01.

Board of Commissioners
Terrebonne Parish Recreation District No. 3
Houma, Louisiana

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 financial statements being auditing may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Terrebonne Parish Recreation District No. 3, management, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



May 11, 2004

Terrebonne Parish Recreation District No. 3
Schedule of Findings and Questioned Costs
As of and for the Year Ended December 31, 2003

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the basic financial statements of the Terrebonne Parish Recreation District No. 3.
2. One reportable condition was noted during the audit of the basic financial statements. This reportable condition was not considered a material weakness.
3. No instances of noncompliance material to the financial statements of the Terrebonne Parish Recreation District No. 3 were disclosed during the audit.
4. A management letter was not issued.

Section II – Financial Statement Findings

No findings material to the basic financial statements of the Terrebonne Parish Recreation District No. 3 were noted during the audit.

Section III – Internal Control Findings

03-01

Criteria: In our consideration of internal control, we noted that the size of the Terrebonne Parish Recreation District No. 3’s operations and its limited accounting staff preclude an adequate system of internal control.

Effects of Condition: The internal control, in our judgment, could adversely affect the entity’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause of Conditions: The size of the Terrebonne Parish Recreation District No. 3 and its limited accounting staff preclude an adequate segregation of duties and other features of an adequate system of internal control.

Recommendation: The Board of Commissioners of the Terrebonne Parish Recreation District No. 3 should closely monitor the day-to-day activities of the Organization.

Response: The management of the Terrebonne Parish Recreation District No. 3 agrees with this finding.

Questioned Costs: \$ -0-

Section IV – Findings and Questioned Costs – Major Federal Award Program Audit

This section is not applicable.

Terrebonne Parish Recreation District No. 3
Management's Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2003

Section I – Internal Control and Compliance Material to the Financial Statements

Inadequate Internal Control

Condition: A reportable condition in the internal control related to lack of segregation of duties.

Recommendation: The Board of Commissioners of the Terrebonne Parish Recreation District No. 3 should closely monitor the day-to-day activities of the District.

Planned Action: The Board of Commissioners will closely monitor the day-to-day activities of the Organization until it is financially feasible to employ additional staff.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

Terrebonne Parish Recreation District No. 3
Schedule of Prior Findings and Resolution Matters
As of and for the Year Ended December 31, 2003

Note: All prior findings relate to the December 31, 2002 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

02-01

Criteria: Internal Revenue Service regulations require the distribution and filing of Federal Form 1099 to all unincorporated service providers receiving \$600 or more. Also, state and local government require the reporting of sales and the assessment of sales tax on a monthly basis.

Condition: During the prior audit, there were no Form 1099s or the summary Form 1098 distributed to vendors. Furthermore, no sales tax returns were prepared for concession and merchandise sales during the year ended 2002.

Effects of Condition: The District may be subjected to failure to file penalties and interest.

Cause of Condition: There are no monthly or annual closing procedures designed for preparation of governmental compliance reporting.

Recommendation: The District should file timely all required governmental tax forms and reports.

Status: Resolved.

02-02

Criteria: Louisiana Revised Statutes prohibit board members from being financially interested, directly or indirectly, in furnishing of services to the District.

Condition: The District had copy services performed by a company owned by a board member's immediate family member. Board members or their immediate family members are hired as umpires and scorekeepers.

Effects of Condition: The board members have violated state ethics laws and subjected themselves to possible removal from the board.

Cause of Condition: The individual board member was unaware that even small amounts were violations.

Recommendation: The District should not conduct business with any company owned directly by board members or their immediate family members.

Status: Resolved.

Terrebonne Parish Recreation District No. 3
Schedule of Prior Findings and Resolution Matters
As of and for the Year Ended December 31, 2003

Section I – Internal Control and Compliance Material to the Financial Statements (Cont)

02-03

Criteria: LRS 39:1304-1314 sets forth budget adoption procedures and requires budget amendment for actual expenditures exceeding 5% or more of budget expenditures.

Condition: The District did not comply with state law in adopting and amending its budgets for the year ended December 31, 2002.

Effects of Condition: *The District has not complied with state and local budget laws.*

Cause of Condition: The District's minutes reflect the adoption of the annual budget without a budget message attached. During the year, the board did not amend the budget when actual expenditures exceeded budget by 5%.

Recommendation: The District should review and follow the applicable state budget laws for monitoring the budget for the year ending December 31, 2003 and adopt future budgets in accordance with those laws.

Status: *Resolved. Actual expenditures only exceeded the budget by 3.2%; therefore, an amended budget was not required.*

02-04

Criteria: An accurate and complete accounting system must be maintained daily. Transactions must be recorded as they occur.

Condition: During the year ended December 31, 2002, purchases of concessions and other merchandise exceeded sales by approximately \$15,000. It was also determined that there was no inventory on hand at year-end. The District's former chairwoman has been charged with theft over \$500.

Effects of Condition: A misuse of public funds.

Cause of Condition: A lack of cash controls and failure to deposit gate and concession sales receipts daily.

Recommendation: The District should prosecute to the full extent of the law and seek restitution of all persons involved in this matter.

Status: *Resolved.*

Section II – Internal Control and Compliance Material to Federal Awards

Not applicable.

Terrebonne Parish Recreation District No. 3
Schedule of Prior Findings and Resolution Matters
As of and for the Year Ended December 31, 2003

Section III – Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2002.