

RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH

REPORT ON AUDIT OF
COMPONENT UNIT FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

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

Release Date

8/25/04

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June 4, 2004

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Recreational District No. 2 of
Livingston Parish
Livingston Parish Council
Watson, Louisiana

We have audited the accompanying basic financial statements of the Recreation District No. 2 of the Parish of Livingston, State of Louisiana, "the District" (a component unit of the Livingston Parish Council), as of and for the years ended December 31, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the District. Our responsibility is to express an opinion on these financial statements based on our audits.

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

As described in Note 1 to the basic financial statements, the Recreation District No. 2 of the Parish of Livingston adopted the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments; and Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2002. This results in a change in the format and content of the basic financial statements.

Recreation District No. 2 of the
Parish of Livingston, State of Louisiana

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Recreation District No. 2 of the Parish of Livingston, State of Louisiana as of December 31, 2003 and 2002, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated June 4, 2004, on our consideration of the District'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 our audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 8 is not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully submitted,

Harris J. Bougeois, CPA

Recreation District No. 2 of Livingston Parish
Watson, LA
Management's Discussion and Analysis
December 31, 2003

This section of the Recreation District No. 2 of Livingston Parish's (the District) annual financial report represents our discussion and analysis of the District's financial activities for the years ended December 31, 2003 and 2002. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the detailed financial statements.

FINANCIAL HIGHLIGHTS

- * Net Assets on December 31, 2003 and 2002 was \$956,400 and \$791,629, respectively.
- * The Net Assets of the Governmental Activities showed an increase of \$164,771, or a 20.81% increase in 2003, and an increase of \$146,284 or a 22.67% increase in 2002.
- * The total general fund balance at December 31, 2003 and 2002 was \$450,451 and \$328,912, respectively. This reflects an actual increase in 2003 to the general fund of \$121,539 or 36.95%. In 2002, the general fund balance increased \$38,904 or 13.41%.
- * At the end of 2003 Unreserved General Fund Balance of \$450,451 represents 263.74% of total General Fund Expenditures.
- * The District had only a 5.22% increase in the amount of ad valorem tax revenue in 2003, while experiencing a 14.77% increase in 2002. These increases are due to the economic growth in the area and property values have also increased over the past few years. The ad valorem tax revenue totaled \$267,117 in 2003 and \$253,855 in 2002, representing 91.37% and 94.53% of the total revenues in each of the respective years.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the basic financial statements of the District. The District's basic financial statements are comprised of three components: 1) the government-wide financial statements, 2) the fund financial statements, and 3) the notes to the financial statements.

Government-wide financial statements are designed by GASB Statement 34 to change the way in which governmental financial statements are presented. It now provides readers for the first time a concise "entity-wide" Statement of Net Assets and Statement of Activities, seeking to give the user of the financial statements a broad overview of the District's financial position and results of operations in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and accrued but unpaid interest).

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with financial-related legal requirements. All of the funds of the District are governmental type funds.

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11-16 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17 - 26 of this report.

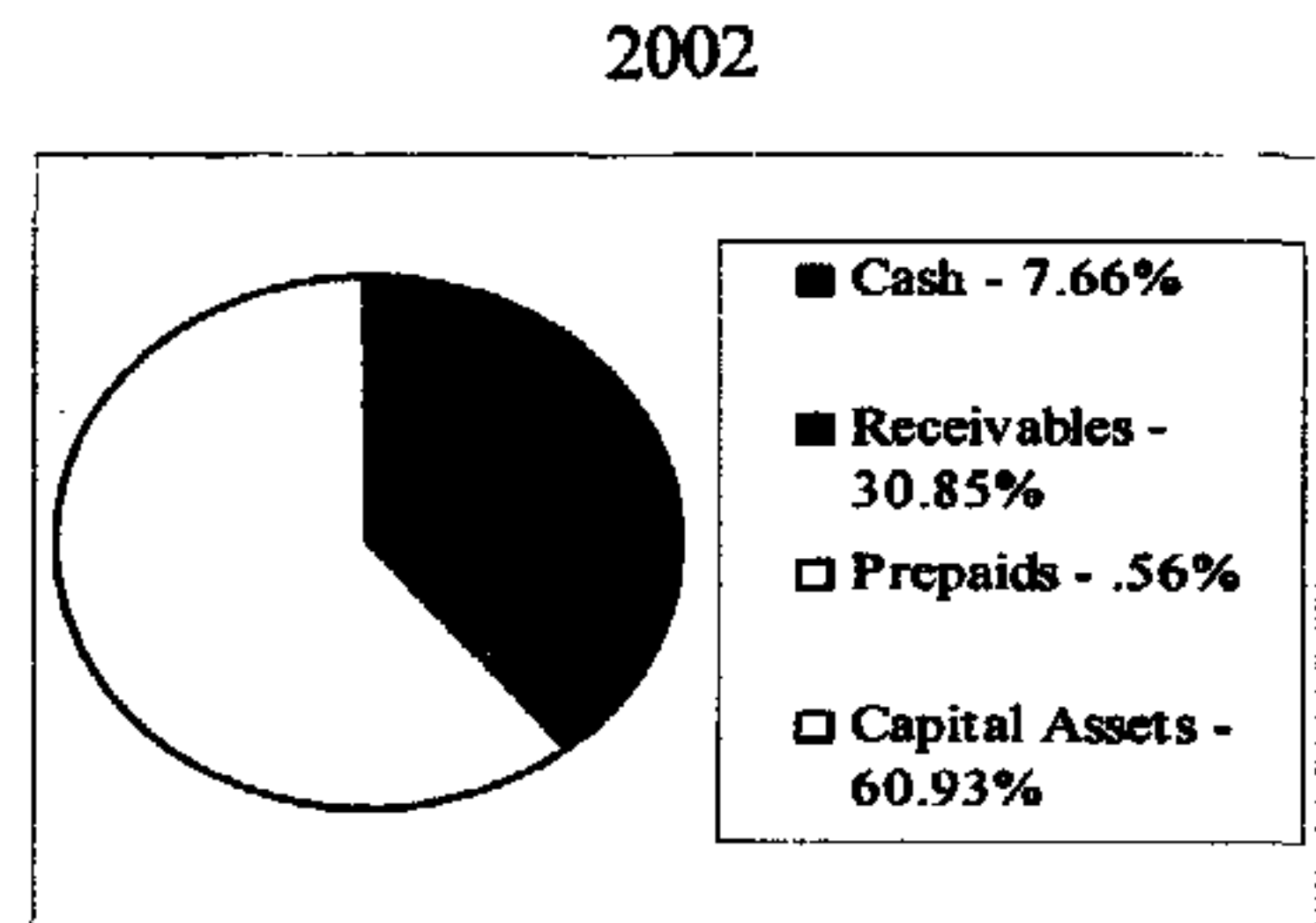
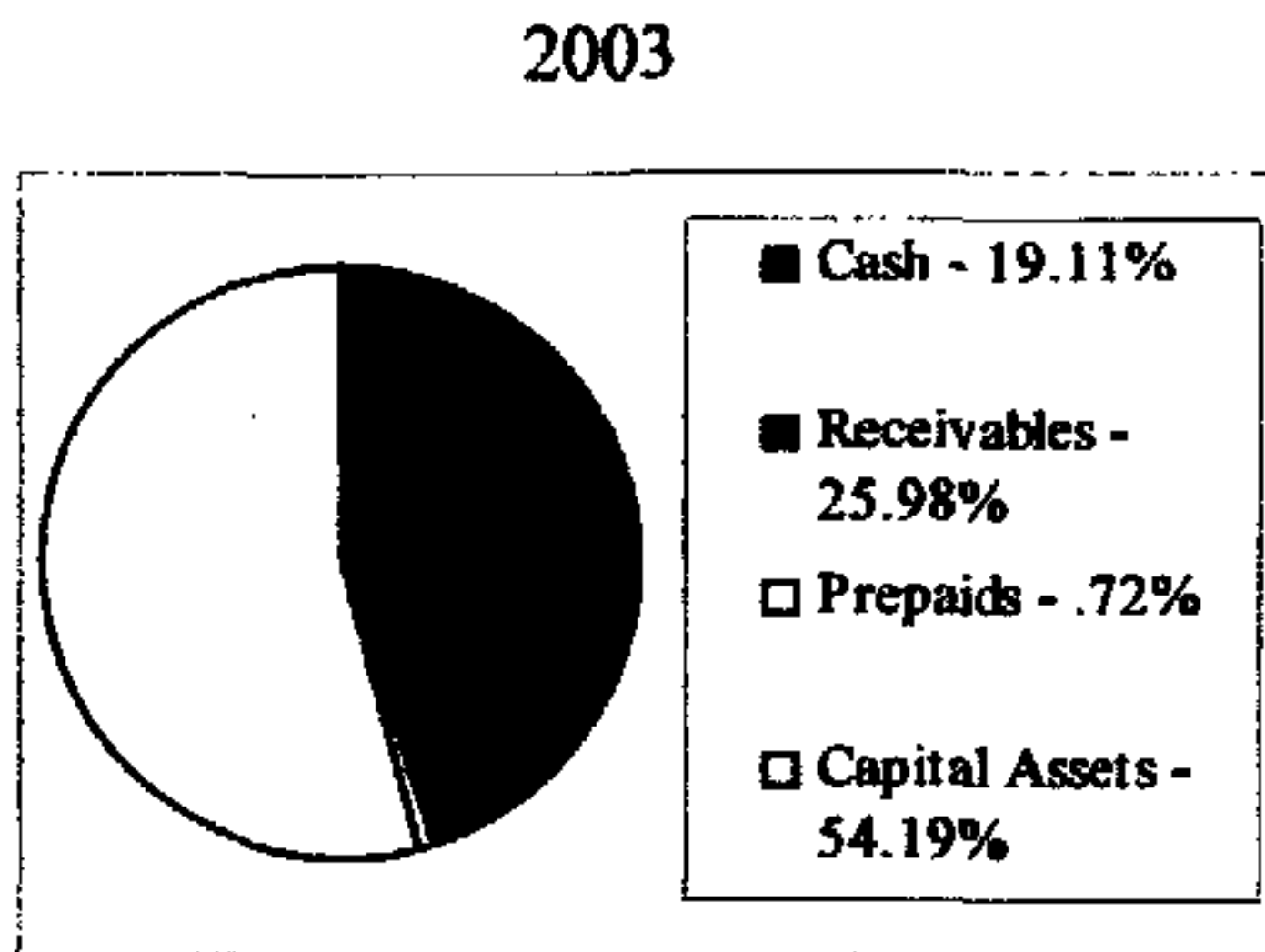
GOVERNMENT-WIDE FINANCIAL ANALYSIS

STATEMENT OF NET ASSETS

The following is a schedule of the District's net assets at December 31, 2003 and 2002. Net assets are calculated by taking the difference between the total assets and total liabilities. The District's assets exceeded its liabilities at the close of 2003, by a total of \$956,400.

	<u>2003</u>	<u>2002</u>	<u>Increases (Decreases)</u>
Cash and Cash Equivalents	\$ 197,325	\$ 68,418	\$128,907
Receivable, Net of Allowances	268,278	275,485	(7,207)
Prepaid Expenses	7,479	4,981	2,498
Capital Assets, Net of Depreciation	<u>559,506</u>	<u>544,203</u>	<u>15,303</u>
Total Assets	1,032,588	893,087	139,501
Current Liabilities	16,188	16,458	(270)
Certificates of Indebtedness Payable	<u>60,000</u>	<u>85,000</u>	<u>(25,000)</u>
Total Liabilities	76,188	101,458	(25,270)
Net Assets:			
Invested in Capital Assets, Net of Related Debt	499,506	459,203	40,303
Unrestricted	<u>456,894</u>	<u>332,426</u>	<u>124,468</u>
Total Net Assets	<u>\$ 956,400</u>	<u>\$791,629</u>	<u>\$164,771</u>

The largest portion of the District's net assets are reflected on the following charts:



STATEMENT OF ACTIVITIES

The District provides recreational facilities, activities and programs for the area citizens. Included in this are both revenue and non-revenue producing activities. Most of the funding for the District's operation and maintenance is provided by property taxes and public based program fees.

Property taxes are the largest source of revenue for the District. The District collects 15 mills for the operation and maintenance of the park system. This money is put into the general fund and is used to pay for the operation and maintenance of the park system. The operation and maintenance mills must be renewed every ten years. The current millage expires in 2004. In March 2004, the voters in the District renewed the current millage for an additional 10 years, to the year 2014.

Other sources of revenue for the District include ball field rental fees, concessions, grant, and interest on investments. The following chart shows the major source of revenues and expenses.

Condensed Statement of Activities

	2003	2002	Increases (Decreases)
Revenues:			
Program Revenues	\$ 13,986	\$ 12,973	\$ 1,013
Capital Grants and Contributions	5,240	-	5,240
General Revenues	<u>273,110</u>	<u>255,559</u>	<u>17,551</u>
	292,336	268,532	23,804
Expenses:			
Parks and Recreation	98,114	92,757	5,357
Depreciation	26,076	24,804	1,272
Interest	<u>3,375</u>	<u>4,687</u>	<u>(1,312)</u>
	<u>127,565</u>	<u>122,248</u>	<u>5,317</u>
Change in Net Assets	<u>\$164,771</u>	<u>\$146,284</u>	<u>\$ 18,487</u>

REVENUES

- Property tax revenue increased \$13,262 or 5.22% from the previous year. This increase was a direct result of the assessed property values increasing in the local district.
- In 2003, the District obtained and received an additional capital grant in the amount of \$5,240 for the previous purchase of additional park property. No grant was obtained in 2002.

EXPENSES

Total expenses increased by only \$5,317 or 4.35%. This increase was because of the following:

- Increased the use of part-time staff members to operate the park, which caused a \$9,541 increase in payroll and payroll taxes.
- Costs associated with obtaining the additional capital grant amounted to \$2,128.
- Repairs and maintenance costs decreased \$15,190 due to the nature of the repairs or the timing of field maintenance and the reduction in renovations to the new fields.
- Utilities increased \$3,064 due to the expansion of additional ball fields.

BUDGETARY HIGHLIGHTS

- The final amended budget for revenues reflects an increase of \$35,700. Ad valorem tax revenues were increased by \$30,000 while very small increases were made to other revenue categories in 2003.
- In 2003, the District exceeded its revenue final budget by \$31,130.
- The final amended budget for expenditures in 2003 reflects an increase of \$9,500. Payroll and payroll taxes were increased by \$7,200 due to the use of additional part-time staff. Insurance was increased by \$3,000 because of increased policy premiums for public officials' liability insurance.
- Supplies and small equipment was increased by \$3,200 and utilities by \$2,100 due to the expansion of the ball fields. Finally, repairs and maintenance was decreased by \$9,000 due to the reduction in repair costs in 2003 and the timing of field maintenance.
- Total expenditures exceeded the final amended budget by \$3,991 or 2.4%.

CAPITAL ASSETS

Capital assets. The District's investment in capital assets as of December 31, 2003 and 2002, amounts to \$559,506 and \$544,203, respectively (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment and park facilities. The total increase in the District's investment in capital assets for 2003 was \$15,303 or 2.81%. The total increase in 2002 amounted to \$80,106 or 17.26%.

Major capital asset events during 2003 and 2002 included the following:

2002:

- Construction of a maintenance barn - \$34,839
- Construction of paved sidewalks - \$9,351
- Erection of new fences around additional ball fields - \$8,200
- Construction of new bleacher pads and bleacher seating around additional ball fields - \$30,194
- Purchase of various pieces of equipment to better maintain the park facilities, some of which are large pressure washer, John Deere tractor and Gator equipment - \$22,326

2003:

- Construction of bathroom renovations - \$16,518
- Purchase of new ice machine and generator - \$4,646
- Construction of additional bleachers - \$16,002
- Erection of additional fencing - \$2,028
- Renovations to concession stand - \$2,185

LONG-TERM DEBT

At the end of the current year, the District had certificates of indebtedness outstanding in the amount of \$60,000. This debt is secured by the revenues collected within the District.

Additional information on the long-term debt activity in 2003 and 2002 can be found in Note 4 on page 24 of this report.

FUTURE EXPENSES

The District is committed to previous years' goals of accomplishing proper maintenance to the existing park facilities for the new population demand being experienced. The extreme growth in the number of homeowners in the District and the additional population wishing to use the park facilities will require additional support facilities and future upgrades for parking, etc. As the growth is forecasted to continue within the District, the commissioners are exploring adjacent land purchase alternatives to enlarge the park and handle the ever increasing demand for recreation. Capital outlay for land will be a priority in the near future.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens and creditors with a general overview of the District's finances and reveal the Recreation District's accountability for the money received through its operations. If there are any questions about this report or need of additional financial information, contact Administrative Secretary, Randall Smith, P.O. Box 54, Watson, LA 70786.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

COMPARATIVE STATEMENTS OF NET ASSETS

DECEMBER 31, 2003 AND 2002

ASSETS	Governmental Activities	
	2003	2002
Cash and Cash Equivalents	\$ 197,325	\$ 68,418
Property Tax Receivables	268,278	240,265
Due from Other Governments	-	35,220
Prepaid Insurance	7,479	4,981
Capital Assets (Net of Accumulated Depreciation)	559,506	544,203
Total Assets	\$ 1,032,588	\$ 893,087
LIABILITIES		
Accounts Payable	\$ 15,152	\$ 14,991
Interest Payable	1,036	1,467
Non-Current Liabilities:		
Due Within One Year	30,000	25,000
Due in More Than One Year	30,000	60,000
Total Liabilities	76,188	101,458
NET ASSETS		
Investment in Capital Assets, Net of Related Debt	499,506	459,203
Unrestricted	456,894	332,426
Total Net Assets	956,400	791,629
Total Liabilities and Net Assets	\$ 1,032,588	\$ 893,087

The accompanying notes constitute an integral part of this statement.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

COMPARATIVE STATEMENT OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

Governmental Activities:	<u>2003</u>	<u>2002</u>
Expenses:		
Parks and Recreation	\$ 98,114	\$ 92,757
Depreciation	26,076	24,804
Interest on Debt Service	3,375	4,687
Total Expenses	<u>127,565</u>	<u>122,248</u>
Program Revenues:		
Charges for Services	13,986	12,973
Capital Grants and Contributions:		
Federal Grant	5,240	-
Net Program Expense	<u>108,339</u>	<u>109,275</u>
General Revenues:		
Taxes - Property	267,117	253,855
Interest Income	1,597	1,554
Miscellaneous	4,396	150
Total General Revenues	<u>273,110</u>	<u>255,559</u>
Change in Net Assets	<u>164,771</u>	<u>146,284</u>
Net Assets - Beginning of Year	<u>791,629</u>	<u>645,345</u>
Net Assets - End of Year	<u><u>\$ 956,400</u></u>	<u><u>\$ 791,629</u></u>

The accompanying notes constitute an integral part of this statement.

FUND FINANCIAL STATEMENTS

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

COMPARATIVE BALANCE SHEETS - GOVERNMENTAL FUND

DECEMBER 31, 2003 AND 2002

ASSETS

	<u>2003</u>	<u>2002</u>
Cash and Cash Equivalents	\$ 197,325	\$ 68,418
Property Tax Receivables	268,278	240,265
Due from Other Government	<u>-</u>	<u>35,220</u>
Total Assets	<u>\$ 465,603</u>	<u>\$ 343,903</u>

LIABILITIES AND FUND EQUITY

Liabilities:		
Accounts Payable	<u>\$ 15,152</u>	<u>\$ 14,991</u>
Total Liabilities	15,152	14,991
Fund Equity:		
Fund Balance:		
Unreserved - Undesignated	<u>450,451</u>	<u>328,912</u>
Total Fund Equity	<u>450,451</u>	<u>328,912</u>
Total Liabilities and Fund Equity	<u>465,603</u>	<u>343,903</u>

The accompanying notes constitute an integral part of this statement.

**RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH**

**RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET ASSETS**

DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Fund Balances - Total Governmental Fund	\$ 450,451	\$ 328,912
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		
Governmental Capital Assets	766,384	725,005
Less: Accumulated Depreciation	<u>(206,878)</u>	<u>(180,802)</u>
	559,506	544,203
Prepaid Insurance	7,479	4,981
Accrued Interest Payable	(1,036)	(1,467)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds:		
Certificate of Indebtedness	<u>(60,000)</u>	<u>(85,000)</u>
Net Assets of Governmental Activities	<u>\$ 956,400</u>	<u>\$ 791,629</u>

The accompanying notes constitute an integral part of this statement

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

**COMPARATIVE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND**

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
Revenues:		
Ad Valorem Tax, Net	\$ 267,117	\$ 253,855
Ballfield Rental	3,680	2,660
Interest	1,597	1,554
Concessions	10,306	10,313
Intergovernmental Grant	5,240	-
Miscellaneous	4,396	150
Total Revenues	292,336	268,532
Expenditures:		
Parks and Recreation:		
Payroll and Payroll Taxes	41,317	31,776
Grant Administration Fee	2,128	-
Insurance	12,158	8,423
Legal and Accounting	9,121	9,104
Assessor's Pension Fund	11,900	11,164
Repairs and Maintenance	15,390	30,580
Supplies and Small Equipment	2,253	327
Travel	317	261
Utilities	6,028	2,964
	100,612	94,599
Capital Outlay	41,379	104,910
Debt Service:		
Principal Retirement	25,000	25,000
Interest	3,806	5,119
	28,806	30,119
Total Expenditures	170,797	229,628
Excess of Revenues over Expenditures	121,539	38,904
Fund Balance at Beginning of Year	328,912	290,008
Fund Balance at End of Year	\$ 450,451	\$ 328,912

The accompanying notes constitute an integral part of this statement

**RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES**

FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	<u>2003</u>	<u>2002</u>
Net Change in Fund Balance - Total Governmental Fund	\$ 121,539	\$ 38,904
<p>Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the period:</p>		
Capital Outlays	41,379	104,910
Depreciation Expense	(26,076)	(24,804)
 Change in Prepaid Insurance	 2,498	 1,842
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.</p>		
Certificate of Indebtedness Repayments	25,000	25,000
<p>Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>		
	<u>431</u>	<u>432</u>
Change in Net Assets of Governmental Activities	<u>\$ 164,771</u>	<u>\$ 146,284</u>

The accompanying notes constitute an integral part of this statement

**RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH**

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

FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues:				
Ad Valorem Tax, Net	\$211,000	\$241,000	\$267,117	\$ 26,117
Ballfield Rental	2,700	3,500	3,680	180
Interest	1,000	2,000	1,597	(403)
Concessions	10,300	10,300	10,306	6
Intergovernmental Grant	-	-	5,240	5,240
Miscellaneous	506	4,406	4,396	(10)
Total Revenues	225,506	261,206	292,336	31,130
Expenditures:				
Parks and Recreation:				
Payroll and Payroll Taxes	34,000	41,200	41,317	(117)
Grant Administration Fee	-	-	2,128	(2,128)
Insurance	5,500	8,500	12,158	(3,658)
Legal and Accounting	7,000	7,000	9,121	(2,121)
Assessor's Pension Fund	8,500	11,200	11,900	(700)
Repairs and Maintenance	29,000	20,000	15,390	4,610
Supplies and Small Equipment	500	3,700	2,253	1,447
Travel	-	300	317	(17)
Utilities	4,000	6,100	6,028	72
	88,500	98,000	100,612	(2,612)
Capital Outlay	40,000	40,000	41,379	(1,379)
Debt Service:				
Principal Retirement	25,000	25,000	25,000	-
Interest	3,806	3,806	3,806	-
	28,806	28,806	28,806	-
Total Expenditures	157,306	166,806	170,797	(3,991)
Excess of Revenues over Expenditures	68,200	94,400	121,539	27,139
Fund Balance at Beginning of Year	328,912	328,912	328,912	-
Fund Balance at End of Year	\$397,112	\$423,312	\$450,451	\$ 27,139

The accompanying notes constitute an integral part of this statement

**RECREATION DISTRICT NO. 2
OF LIVINGSTON PARISH**

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

FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
Revenues:				
Ad Valorem Tax, Net	\$201,000	\$212,600	\$253,855	\$ 41,255
Ballfield Rental	2,700	2,700	2,660	(40)
Interest	2,000	1,000	1,554	554
Concessions	10,000	10,300	10,313	13
Miscellaneous	-	400	150	(250)
Total Revenues	215,700	227,000	268,532	41,532
Expenditures:				
Parks and Recreation:				
Payroll and Payroll Taxes	30,500	30,750	31,776	(1,026)
Insurance	4,500	4,500	8,423	(3,923)
Legal and Accounting	7,100	9,100	9,104	(4)
Assessor's Pension Fund	8,000	8,500	11,164	(2,664)
Repairs and Maintenance	20,100	26,000	30,580	(4,580)
Supplies and Small Equipment	400	400	327	73
Travel	600	100	261	(161)
Utilities	3,000	3,000	2,964	36
	74,200	82,350	94,599	(12,249)
Capital Outlay	110,802	114,532	104,910	9,622
Debt Service:				
Principal Retirement	25,000	25,000	25,000	-
Interest	5,118	5,118	5,119	(1)
	30,118	30,118	30,119	(1)
Total Expenditures	215,120	227,000	229,628	(2,628)
Excess of Revenues over Expenditures	580	-	38,904	38,904
Fund Balance at Beginning of Year	290,008	290,008	290,008	-
Fund Balance at End of Year	\$290,588	\$290,008	\$328,912	\$ 38,904

The accompanying notes constitute an integral part of this statement

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

(1) Summary of Significant Accounting Policies -

The Recreation District No. 2 "the District" is a body corporate created by the Livingston Parish Council as provided by Louisiana Revised Statutes. The District is governed by a board of five commissioners who are appointed by the Livingston Parish Council.

The financial statements of the District have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. On June 30, 2003, the GASB issued a codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District's Board of Commissioners. Control by or dependence on the board was determined on the basis of taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

In conformance with Governmental Accounting Standards Board, Statement 14, the District is a component unit of the Livingston Parish Council, the governing body of the parish. The accompanying financial statements present information only on the funds maintained by the Recreation District and do not present information on the Council and the general government services provided by that governmental unit.

B. Basis of Presentation

Basic Financial Statements - Government-Wide Statements

The Recreation District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major fund). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. There were no activities of the District categorized as a business-type activity.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

In the government-wide Statement of Net Assets, the governmental activity column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis.

The government-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (taxes, interest and investment earnings, etc).

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Basic Financial Statements - Fund Financial Statements

The financial transactions of the District are reported in an individual fund in the fund financial statements. This fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. This fund is reported by generic classification within the financial statements.

The District uses the following fund type:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental fund of the District:

- 1) The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. At December 31, 2003 and 2002, it is the only fund of the District.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

C. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual -

The governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues of the District consist principally of property taxes, charges for services and interest income. Interest income is recorded when earned. Property taxes are recorded as revenues when levied even though a portion of the taxes may be collected in subsequent years.

2. Modified Accrual -

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means that the amount of the transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for revenue recognition for all governmental fund type revenues. Expenditures are recorded when the related fund liability is incurred. Depreciation is not recognized in the Governmental Fund Financial Statements.

D. Capital Assets

Capital assets are reported in the government-wide financial statements at historical cost. Additions, improvements or other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on a straight line basis over the following estimated useful lives:

Buildings	20 to 40 years
Parking Area	20 years
Fencing, Lighting, Bleachers and Equipment	5 to 30 years

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

E. Budgetary Practices

The District utilizes the following budgetary practices:

The Administrative Secretary prepares the annual budget which is based on what is expected to be collected and/or levied during the fiscal year and is approved by the Board. The adopted budget constitutes the authority of the Recreation District No. 2 to incur liabilities and authorize expenditures from the respective budgeted funds. Additionally, certain expenditures are approved monthly by the Board before payment.

All budget amounts presented in the financial statements have been adjusted for legally authorized revisions of the annual budget during the year.

F. 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

G. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets.

H. Change in Accounting Principles and Restatement of Prior Year Fund Equity

Beginning with the fiscal year ended December 31, 2002, the District implemented the following GASB Standards:

- Statement No. 34 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*
- Statement No. 36 - *Recipient Reporting for Certain Shared Nonexchange Revenues*

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

- Statement No. 37 - *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*
- Statement No. 38 - *Certain Financial Statement Note Disclosures*
- Interpretation No. 6 - *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The transition from governmental fund balances total equity to net assets for December 31, 2001 is presented below:

	<u>Governmental Activities</u>
Total Fund Balances/Fund Equity, as Previously Reported	\$ 290,008
Prepaid Insurance	3,139
Capital Assets, Net of Depreciation	464,097
Accrued Interest Payable	(1,899)
General Long-Term Debt	<u>(110,000)</u>
Restated Net Assets, December 31, 2001	<u>\$ 645,345</u>

(2) Property Taxes -

On November 8, 1994, an election was held whereby the voters of Recreation District No. 2 of Livingston Parish approved a 10 year 15.00 mill ad valorem tax assessed on all property subject to taxation within the District for the purpose of "maintaining, and operating the District's recreational facilities and for acquiring, constructing or renovating additional facilities". The assessment began in the year 1995 and ends with the year 2004.

Property taxes attach as an enforceable lien on property as of January 1, of each year. Taxes are levied in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

The District's taxes are collected by the Livingston Parish Tax Collector and are remitted to the District monthly. The District pays the Assessor's Office a fee for this service.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

Total taxes assessed and taxes receivable at December 31, 2003 and 2002 are as follows:

	<u>2003</u>	<u>2002</u>
Revenues:		
Assessed Valuation	\$18,756,240	\$17,795,050
x Assessed Millage	<u>x 15.00M</u>	<u>x 15.00M</u>
Ad Valorem Taxes Assessed	281,344	266,926
Less: Estimated Uncollectible	<u>(14,067)</u>	<u>(12,611)</u>
Net Current Year Ad Valorem Tax	267,277	254,315
Less: Refunds of Prior Year Ad Valorem Taxes in Current Year	<u>(160)</u>	<u>(460)</u>
Ad Valorem Tax Revenues	<u>\$ 267,117</u>	<u>\$ 253,855</u>
Receivable:		
Net Current Year Ad Valorem Taxes	\$ 267,277	\$ 254,315
Add: Prior Year Ad Valorem Taxes	1,001	648
Less: Amounts Collected Before December 31	<u>-</u>	<u>(14,698)</u>
Property Tax Receivable, Net of Allowance	<u>\$ 268,278</u>	<u>\$ 240,265</u>

(3) Changes in General Fixed Assets -

Capital asset activity for the year ended December 31, 2003 and 2002 is as follows:

	Balance <u>December 31, 2001</u>	<u>Restatement</u>	Adjusted Balance <u>December 31, 2001</u>	Additions	Deletions	Balance <u>December 31, 2002</u>
<u>Governmental Activities</u>						
Building	\$ 102,139	\$ -	\$ 102,139	\$ 34,839	\$ -	\$ 136,978
Parking Area	136,798	-	136,798	-	-	136,798
Fencing, Lighting, Bleachers, and Equipment	195,298	-	195,298	70,071	-	265,369
Land	<u>185,860</u>	<u>-</u>	<u>185,860</u>	<u>-</u>	<u>-</u>	<u>185,860</u>
Totals	620,095	-	620,095	104,910	-	725,005

(CONTINUED)

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

<u>Governmental Activities</u>	<u>Balance December 31, 2001</u>	<u>Restatement</u>	<u>Adjusted Balance December 31, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2002</u>
Less Accumulated Depreciation for:						
Building	-	20,339	20,339	3,424	-	23,763
Parking Areas	-	47,878	47,878	6,840	-	54,718
Fencing, Lighting, Bleachers, and Equipment	<u>-</u>	<u>87,781</u>	<u>87,781</u>	<u>14,540</u>	<u>-</u>	<u>102,321</u>
Total Accumulated Depreciation	<u>-</u>	<u>155,998</u>	<u>155,998</u>	<u>24,804</u>	<u>-</u>	<u>180,802</u>
Capital Assets, Net	<u>\$ 620,095</u>	<u>\$(155,998)</u>	<u>\$ 464,097</u>	<u>\$ 80,106</u>	<u>\$ -</u>	<u>\$ 544,203</u>

<u>Governmental Activities</u>	<u>Balance December 31, 2002</u>	<u>Restatement</u>	<u>Adjusted Balance December 31, 2002</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2003</u>
Building	\$ 136,978	\$ -	\$ 136,978	\$ 18,703	\$ -	\$ 155,681
Parking Area	136,798	-	136,798	-	-	136,798
Fencing, Lighting, Bleachers, and Equipment	265,369	-	265,369	22,676	-	288,045
Land	<u>185,860</u>	<u>-</u>	<u>185,860</u>	<u>-</u>	<u>-</u>	<u>185,860</u>
Totals	725,005	-	725,005	41,379	-	766,384
Less Accumulated Depreciation for:						
Building	23,763	-	23,763	3,760	-	27,523
Parking Areas	54,718	-	54,718	6,840	-	61,558
Fencing, Lighting, Bleachers, and Equipment	<u>102,321</u>	<u>-</u>	<u>102,321</u>	<u>15,476</u>	<u>-</u>	<u>117,797</u>
Total Accumulated Depreciation	<u>180,802</u>	<u>-</u>	<u>180,802</u>	<u>26,076</u>	<u>-</u>	<u>206,878</u>
Capital Assets, Net	<u>\$ 544,203</u>	<u>\$ -</u>	<u>\$ 544,203</u>	<u>\$ 15,303</u>	<u>\$ -</u>	<u>\$ 559,506</u>

Depreciation expense at December 31, 2003 and 2002 is \$26,076 and \$24,804, respectively, as reported in the Statement of Activities.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

(4) Changes in Long-Term Debt -

The following is a summary of long-term debt transactions of the District for the years ended December 31, 2003 and 2002:

	<u>Certificate of Indebtedness</u>
Balance - December 31, 2001	\$ 110,000
Increase in Debt Issued	-
Debt Retired During Year	<u>(25,000)</u>
Balance - December 31, 2002	85,000
Increase in Debt Issued	-
Debt Retired During Year	<u>(25,000)</u>
Balance - December 31, 2003	<u>\$ 60,000</u>

Certificate of Indebtedness:

On October 19, 1995, the District issued certificates of indebtedness in the amount of \$225,000 for the purpose of constructing and improving the recreational facilities of the District. Interest is at a rate of 5.25% per annum.

The annual requirements to amortize all long-term debt outstanding at December 31, 2003 are as follows:

<u>Year</u>	<u>Certificate</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 30,000	\$ 2,363	\$ 32,363
2005	<u>30,000</u>	<u>788</u>	<u>30,788</u>
Totals	<u>\$ 60,000</u>	<u>\$ 3,151</u>	<u>\$ 63,151</u>

(5) Leases -

The District has no outstanding capital or operating leases at December 31, 2003 or 2002.

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

(6) Cash and Cash Equivalents -

For reporting purposes, cash and cash equivalents include cash, demand deposits, and time certificates of deposit. Under state law the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, any other state in the union, or under the laws of the State of Louisiana, of the United States. Further, the District may invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

As confirmed by the fiscal agents, the District had cash and cash equivalents totaling \$203,449 with a carrying amount of \$197,325 at December 31, 2003 and cash and cash equivalents totaling \$74,193 with a carrying amount of \$68,418 at December 31, 2002. Cash and cash equivalents are stated at cost, which approximates market. These deposits must be secured under state law by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. The following is a summary of cash and cash equivalents at December 31, 2003 and 2002, with the related federal deposit insurance and pledged securities, if any:

	December 31, 2003		
	<u>Confirmed Bank Balances</u>	<u>FDIC Insurance</u>	<u>Balance Uninsured</u>
Cash in Banks	\$ <u>203,449</u>	\$ <u>100,000</u>	\$ <u>103,449</u>
Total	\$ 203,449	\$ 100,000	103,449
Uncollateralized - Securities Pledged and Held by the Custodial Bank in the Name of the Fiscal Agent			<u>NONE</u>
Deficiency of FDIC Insurance and Pledged Securities over Cash and Cash Equivalents			\$ 103,449
			<u> </u>

**RECREATION DISTRICT NO. 2 OF
LIVINGSTON PARISH**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2003 AND 2002

	December 31, 2002		
	<u>Confirmed Bank Balances</u>	<u>FDIC Insurance</u>	<u>Balance Uninsured</u>
Cash in Banks	\$ <u>74,193</u>	\$ <u>74,193</u>	\$ <u>-</u>
Total	\$ <u>74,193</u>	\$ <u>74,193</u>	\$ <u>-</u>

(7) Litigation -

At December 31, 2003 and 2002, there is no litigation pending against the District.

(8) Compensated Absences, Pension Plan, and Other Postemployment Benefits -

At December 31, 2003 and 2002, the District has no plan or provision for compensated absences, pension plan or other post employment benefits.

(9) 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. All Board Members serve five year terms. Per diems paid to the board members for each year were as follows:

	2003	2002
Roger Morris (Term Expires 2/08)	\$ 600	\$ 700
Jimmy Hood (Term Expires 2/05)	550	550
Jimmy McCoy (Resigned 2/03)	50	650
Dean Everett (Term Expires 2/06)	500	650
Wayne McKee (Term Expires 2/06)	600	600
Keith Bennett (Appointed 3/03, Term Expires 2/07)	350	-
	\$ 2,650	\$ 3,150

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



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June 4, 2004

Board of Commissioners
Recreation District No. 2 of
Livingston Parish
Livingston Parish Council
Watson, Louisiana

We have audited the basic financial statements of the Recreation District No. 2 of Livingston Parish, a component unit of the Livingston Parish Council, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated June 4, 2004. We conducted our audits 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 District's 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 audits and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under Government Auditing Standards.

Condition:

As indicated in Note 6 to the basic financial statements, the District failed to maintain adequate federal deposit insurance or pledged collateral for their Cash and Cash Equivalents. At December 31, 2003 the District was underinsured by \$103,449. The District has been underinsured since January 2002, upon receipt of their portion of the January 2002 property tax distribution from the Livingston Parish Sheriff and Tax Collector.

Recommendation:

We recommend that the District secure 100% of all deposits by federal deposit insurance or the pledge of securities owned by the Bank in accordance with L.S.A R.S. 39:1221.

Management's Response:

Management concurs with the recommendation and will take steps to secure the necessary collateral to correct this instance of noncompliance. Management originally attempted to secure collateral and therefore be in compliance in January 2002. They filed the necessary forms with the Bank and thought they would have sufficient collateral pledged by the Bank to secure their deposits. It was not until the current audit that they became aware that the paperwork originally filed had been mishandled by the Bank and that the District had no collateral secured for their funds.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District'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. Our 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the use of management and the Office of the Legislative Auditor, State of Louisiana, and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Recreation District No. 2 of Livingston Parish, Louisiana, is a matter of public record.

Respectfully submitted,

Harris J. Bougeois, CPA