

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

Annual Financial Report

For the Year Ended September 30, 2003



STAGNI & COMPANY, LLC

**RECREATION DISTRICT #2 OF THE PARISH OF ST. MARY,
STATE OF LOUISIANA**
*Annual Financial Report
For the Year Ended September 30, 2003*

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***REQUIRED SUPPLEMENTAL
INFORMATION (PART 1)***

**RECREATION DISTRICT NO. 2,
OF THE PARISH OF ST. MARY, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

As management of the Recreation District No. 2 of the Parish of St. Mary, State of Louisiana ("District"), we provide readers of the District's financial statements this narrative overview and analysis of the financial activities of the Recreation District, for the fiscal year ended September 30, 2003. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

This is the first year that the District has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement Number 34. Because this new reporting model changes significantly not only the presentation of financial data, but also the manner in which the information is recorded, prior year comparative information for this reporting period's MD&A has not been included. In future years, a comparative analysis of government-wide data will be presented. In preparing the information summarized below, we have tried to keep in mind the disadvantage created by not presenting comparative information by expanding on the narrative with our opinion of the changes from one year to the next.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- Net assets of our governmental activities increased by \$193,716 or 18.8%.
- Total net assets are comprised of the following:
 - (1) Invested in capital assets of \$(58,038) that included property and equipment, net of accumulated depreciation (\$1,271,962) – the net book value, net of the related debt (1,330,000).
 - (2) Net assets restricted for debt service of \$106,414 and restricted for capital projects of \$637,445,
 - (3) Unrestricted net assets of \$535,978 that represent the portion available to maintain continuing obligations to citizens and creditors.
- Revenues of our governmental activities totaled approximately \$522,000, an increase of 14% from the prior year, while expenditures, excluding the capital projects fund, totaled approximately \$328,000 a decrease of 4% from the prior year.
- \$1,100,000 of general obligation bonds was issued during the year to fund recreation improvements and renovations. Approximately \$455,000 had been spent on the capital projects as of year-end.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's basic financial statements consist of the following components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements
4. Required supplementary information, and
5. Other supplementary information, which is in addition to the basic financial statements themselves.

1. Government-Wide 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 a concise "entity-wide" Statement of Net Assets and Statement of Activities. These statements include all assets and liabilities using the accrual basis of accounting in a manner similar to a private-sector business.

- A. The statement of net assets, beginning on page twelve (12), presents information on all of the District's assets and liabilities using the accrual basis of accounting. The difference between the assets and liabilities is 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 weakening.
- B. The statement of activities, beginning on page thirteen (13), presents information showing how the government'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.

2. 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. Some funds are required to be established by State law and by bond covenants. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District consist of one category: governmental funds.

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- A. Governmental funds are used to account for most of the District's basic services as reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.
- B. The District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects Fund, and the Debt Service Fund. The basic governmental fund financial statements can be found on pages fourteen (14) and fifteen (15).
- C. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities. The reconciliations are located on page fourteen (14) and page sixteen (16).

Our auditor has provided assurance in the independent auditor's report, located immediately following this MD&A, that the Basic Financial Statements are fairly stated. The auditor regarding the Required Supplemental Information and the Other Supplemental Schedules is providing varying degrees of assurance. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts in the Annual Financial Report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. The District assets exceeded its liabilities at the close of the year by \$1,221,779 (net assets). Of this amount, \$535,978 is unrestricted net assets. This represents 43.9% of net assets and is resources that are available to be used to meet the District's ongoing obligation to citizens and creditors. The District's unrestricted net assets increased by

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For the year ended September 30, 2003**

approximately \$113,000 during the year, largely from an increase in ad valorem tax assessed and received.

The District has \$685,821 (net) in restricted net assets, which represents 56.1% of net assets. These resources are subject to external restrictions on how they may be used, i.e. bond covenants and debt service restrictions. The restricted net assets of the District increased as a result of bond proceeds remaining in the capital projects fund to be utilized for the completion of the District's recreation improvements and renovations project.

The District has total assets of \$2,712,508. Of the total assets \$1,271,962 are capital assets, net of depreciation. Although the District's investment in its capital assets is reported net of related debt in its net asset reporting, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

The District has total liabilities of \$1,490,709. Of the total liabilities, \$1,330,000 is debt due to the outstanding bonds payable; \$330,000 of the bonds payable is included in the current liabilities and \$1,000,000 is classified as long-term.

The governmental activities of the District include recreation, i.e. activities buildings, parks, playgrounds, tennis and outdoor facilities. Property taxes fund most of these governmental activities. The following tables give an indication of how the District's resources are utilized and the source of the resources.

This table shows the District's expenditures related to the functions/programs associated with its governmental activities.

Expenditures for Functions/Programs

	<u>AMOUNT</u>	<u>PERCENTAGE</u>
Recreation	\$ 328,649	<u>100.00%</u>
Total Governmental Activities	<u>\$ 328,649</u>	<u>100.00%</u>

General revenues are those available for the District to use to pay for the governmental activities described above. The following table shows the source of the District's revenues.

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For the year ended September 30, 2003**

Source of Revenues

	AMOUNT	PERCENTAGE
Ad valorem taxes	\$ 437,329	83.72%
Sales tax allocation	54,837	10.49%
Investment earnings	16,134	3.10%
Rents, charges for services	11,982	2.29%
Miscellaneous	2,083	0.40%
Total General Revenues	\$ 522,365	100.00%

As indicated above, ad valorem tax revenue is the largest revenue source for the District comprising 83.72% of general revenues. For the year ended September 30, 2003, taxes of 20.30 mills were levied on property inside of the District limits compared to 23.27 mills levied in the prior year. The District's taxable assessed valuations increased \$89,749 from \$360,554 to \$450,303 for the tax years 2001 and 2002.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As previously stated, the District maintains three governmental funds, the General Fund, Capital Projects Fund, and the Debt Service Fund. The District's governmental funds reported combined ending fund balances of \$976,191 as of the end of the current fiscal year. This is an increase of approximately \$813,000 from the prior year-end. Increases in the combined fund balances result from increased ad valorem tax revenues and unspent proceeds from a general obligation bond issued remaining in the capital projects fund.

The General Fund unreserved fund balance is \$232,332, an increase of \$113,516 from the prior year. Ad valorem tax assessment increases and stable operating costs for the current fiscal year resulted in the increased fund balance. The financial resources in this fund are available to carryout the current operations and programs of the District.

The reserved fund balance in the Capital Projects Fund totaled \$637,445, an increase of approximately \$622,000 resulting from the unspent proceeds of the general obligation bond that is reserved for construction and renovation. At year-end, the District was under obligated under construction contracts for approximately \$550,000, with the remaining improvement or renovation projects to be finalized.

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The reserved fund balance in the Debt Service Fund totaled \$106,414, an increase of approximately \$77,000 from the prior year. Resources in this fund are reserved for the payment of principal and interest on the District's outstanding bond issues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District adopts an annual budget for its General Fund. The District did not amend this budget for the year ending September 30, 2003, so the original budget is the same as the final budget for this fiscal year-end. A budget comparison schedule has been included for the General Fund on page thirty-one (31) to demonstrate compliance with the legally adopted budget. An analysis of significant budget variances in the General Fund is as follows:

1. Revenues:

- Property tax revenue increased during the year primarily related to an increase in property located and property values assessed within the District.
- There was an increase in the sales tax collections within the boundaries of the District, a portion of which is dedicated to recreation in the District.
- The District experienced an increase in rental and activity income for the year, which was not anticipated.

2. Expenditures:

- Salaries and wages were less than the budgeted level due to one full-time employee only working part of the year.
- Supplies, repairs and maintenance did not require the same level of resources as in prior years; therefore the actual expenses were less than the budgeted amounts.
- Capital expenditures were less than budgeted amounts, mainly because of the increased level of spending and projects completed from the Capital Projects Fund.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended September 30, 2003**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2003 the District had \$1,271,962 (net of depreciation) invested in a wide range of capital assets as shown in the table below:

Summary of Capital Assets

	2003
Buildings, improvements, outdoor facilities	\$ 1,346,525
Kitchen equipment	60,835
Maintenance equipment	51,254
Office furniture and fixtures	21,737
Recreation equipment	70,806
Transportation equipment	137,677
Construction in progress	<u>322,678</u>
Total Cost of Assets	2,011,512
Accumulated Depreciation	<u>(739,550)</u>
Total Capital Assets, Net	<u>\$ 1,271,962</u>

This year there was \$484,551 of additions to capital assets. This year's major capital additions included:

- Building improvements \$ 22,301
- Kitchen, walk-in cooler/freezer \$ 26,942
- Mower and maintenance equipment \$ 17,533
- Bus, activities transportation \$ 94,000
- Construction in progress \$ 322,678

Proceeds from the 2002 general obligation bond issue are dedicated to financing the recreation district improvements and renovation projects. At year-end the Recreation District had approximately \$550,000 in construction projects under contract.

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Additional detailed information about capital assets is presented in Note 6 to the financial statements.

Long-term Debt

The Recreation District had \$1,330,000 in bonds outstanding at year-end compared to \$360,000 last year as shown in the following table.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities	
	<u>2003</u>	<u>2002</u>
2002 General Obligation Bonds	\$ 1,050,000	\$ -
1993 Refunding Bonds	280,000	360,000
	<u>\$ 1,330,000</u>	<u>\$ 360,000</u>

The net increase of \$970,000 is the result of issuing \$1,100,000 in general obligation bonds in the current fiscal year to fund capital improvement and renovation projects of the District. The District does not have plans to issue any new debt at this time.

The District has accumulated surplus funds in the amount of approximately \$28,000 in the debt service fund for the retirement of the General Obligation Refunding Bonds, Series 1993. The Board of Commissioners is considering the procedures to pay off the bonds as well as evaluating the feasibility of refunding the excess tax collected.

Bond Ratings

The 2002 general obligation bonds and the 1993 refunding bonds are not rated by any nationally recognized bond rating firm or agency.

Additional detailed information about outstanding long-term debt is presented in Note 7 to the financial statements.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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CURRENTLY KNOWN FACTS, ECONOMIC FACTORS AND CONDITIONS

The Board of Commissioners continues to monitor all economic factors that affect the operation, maintaining, and improvement of the recreational facilities of the District. Historically, the majority of the District's revenue has been derived from a maintenance and operating property tax levied. This tax levy of 13 mills per annum was approved by the voters in 2002 and is to expire in 2011. The Parish continues to provide sales tax from the three-tenths of one percent sales tax levy collected within the District and dedicated to recreation within the District. At present the District is planning and completing capital improvements and renovations that address many structural and mechanical aspects of the facilities. These expenditures will be paid from resources available in the capital projects fund. The Board of Commissioners has no current knowledge of any economic conditions that could have a significant adverse affect on its revenues or operating costs. The general fund unreserved fund balance increased by \$113,516 to a total of \$232,332 during the current fiscal year. The debt service fund balance increased by \$77,660 to a total of \$106,414 during the current fiscal year. The Board of Commissioners in preparing and adopting the general fund budget for fiscal year end September 30, 2004 considered these factors. If these current economic factors and conditions remain consistent, the net asset balance is expected to increase modestly by the close of 2004.

CONTACTING MANAGEMENT

This Annual Financial Report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of Recreation District No. 2's finances and to demonstrate its accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Recreation District No. 2 of the Parish of St. Mary at P.O. Box 922, Morgan City, LA 70381, phone number 1-985-384-4224.

FINANCIAL SECTION



STAGNI & COMPANY, LLC

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Recreation District No. 2, a component unit of the Parish of St. Mary, State of Louisiana as of and for the year ended September 30, 2003, as listed in the financial section of the table of contents. These basic financial statements are the responsibility of Recreation District No. 2'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 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 and each major fund of the Recreation District No. 2 as of September 30, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Recreation District No. 2 has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as of September 30, 2003.

To the Board of Commissioners
Recreation District No.2, Parish of St. Mary
Morgan City, Louisiana
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The Management's Discussion and Analysis and the other required supplemental information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 6, 2004, on our consideration of Recreation District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Stagni & Company

Thibodaux, Louisiana
February 6, 2004



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

Statement of Net Assets - Governmental Activities

September 30, 2003

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,049,688
Investments	318,267
Due from other governments	37,907
Prepaid expenses	10,978
Unamortized bond issue costs	23,646
Deposits	60
Total current assets	<u>1,440,546</u>

Noncurrent assets:

Capital assets, net of depreciation	<u>1,271,962</u>
Total assets	<u><u>2,712,508</u></u>

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	4,353
Contracts and retainage payable	134,062
Interest payable	22,294
Bonds payable - current	330,000
Total current liabilities	<u>490,709</u>

Bonds Payable -long term	<u>1,000,000</u>
Total Liabilities	<u><u>1,490,709</u></u>

NET ASSETS

Invested in capital assets, net of related debt	(58,038)
Restricted for:	
Debt Service	106,414
Capital Projects	637,445
Unrestricted	535,978
Total net assets	<u><u>\$ 1,221,799</u></u>

See notes to financial statements.

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

Statement of Activities
For the Year Ended September 30, 2003

FUNCTIONS / PROGRAMS	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue
Governmental activities:			
General government - Recreation	\$ 328,649	\$ 11,982	\$ (316,667)
Total governmental activities:			(316,667)
General revenues:			
Ad Valorem Taxes			437,329
Sales tax allocation			54,837
Interest			16,134
Other			2,083
Total general revenues			510,383
Change in net assets			193,716
Net assets - beginning			1,028,083
Net assets - ending			\$ 1,221,799

See notes to financial statements.

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

Balance Sheet - Governmental Funds
September 30, 2003

	General	Capital Project	Debt Service	Total Governmental Funds
ASSETS				
Cash	\$ 187,740	\$ 756,507	\$ 105,441	\$ 1,049,688
Investments		15,000	303,267	318,267
Due from other governments	37,907			37,907
Prepaid expenses	10,978			10,978
Deposits	60			60
Total assets	\$ 236,685	\$ 771,507	\$ 408,708	\$ 1,416,900
LIABILITIES				
Accounts payable and accrued expenses	\$ 4,353			\$ 4,353
Contracts payable		\$ 105,903		105,903
Retainage payable		28,159		28,159
Interest payable - refund bonds - Series 1993			\$ 22,294	22,294
Refund bonds payable - Series 1993			280,000	280,000
Total liabilities	4,353	134,062	302,294	440,709
FUND BALANCES				
Reserved-reported in:				
Capital Projects		637,445		637,445
Debt Service			106,414	106,414
Unreserved-reported in:				
General Fund	232,332			232,332
Total fund balances	232,332	637,445	106,414	976,191
Total liabilities and fund balances	\$ 236,685	\$ 771,507	\$ 408,708	

RECONCILIATION TO GOVERNMENT-WIDE FINANCIAL STATEMENTS:

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.

1,271,962

 Some liabilities are not due and payable in the current period and therefore
 are not reported in the funds.

Bonds payable: Current (50,000)

Long term (1,000,000)

Unamortized bond issue costs 23,646

(1,026,354)

Net assets of governmental activities

\$ 1,221,799

RECREATION DISTRICT NO. 2 OF THE PARISH OF ST. MARY
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Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the Year Ending September 30, 2003

	General	Capital Projects	Debt Service	Total Governmental Funds
REVENUES				
Ad Valorem Taxes	\$ 280,052		\$ 157,277	\$ 437,329
Sales tax allocation	54,837			54,837
Interest	294	3,385	12,455	16,134
Rental & activity income	11,982			11,982
Other	2,083			2,083
Total Revenues	349,248	3,385	169,732	522,365
EXPENDITURES				
General government - current:				
Salaries and wages	66,330			66,330
Fringe benefits	10,783			10,783
Commissioners per diem	950			950
Insurance	32,274			32,274
Utilities and telephone	25,021			25,021
Legal, accounting and professional fees	6,225			6,225
Supplies and office	9,923			9,923
Repairs and maintenance	27,239			27,239
Truck, bus and tractor expenses	8,277			8,277
Summer program cost	6,949			6,949
Public relations	1,611			1,611
Pension - ad valorem taxes	9,012		5,061	14,073
Bond issue costs		25,335		25,335
Other	2,192			2,192
Total current expenditures	206,786	25,335	5,061	237,182
Capital expend				
Capital outlay	28,946	132,927		161,873
Construction and architect fees		322,678		322,678
Total capital expenditures	28,946	455,605	-	484,551
Debt service:				
Principal retirement			50,000	50,000
Interest and fiscal charges			37,011	37,011
Total debt service			87,011	87,011
Total expenditures	235,732	480,940	92,072	808,744
Excess (deficiencies) of revenues over expenditures	113,516	(477,555)	77,660	(286,379)
Other financing sources (uses):				
General obligation bonds issued		1,100,000		1,100,000
Total other financing sources (uses)		1,100,000		1,100,000
Net change in fund balances	113,516	622,445	77,660	813,621
FUND BALANCES				
Beginning of year	118,816	15,000	28,754	162,570
Ending of year	\$ 232,332	\$ 637,445	\$ 106,414	\$ 976,191

See notes to the financial statements.

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2003

Net change in fund balances - total governmental funds (fund financial statements) \$ 813,621

Amounts reported for *governmental activities* in the statement of activities
(government-wide financial statements) are different because:

Governmental funds report capital outlays as expenditures in the individual funds.
Governmental activities report depreciation expense to allocate the cost of those
capital assets over the estimated useful lives of the asset.

Capital outlay	\$	484,551	
Loss on fixed assets		(16,907)	
Depreciation expense		<u>(61,195)</u>	
			406,449

Bond proceeds provide current financial resources to governmental funds; however
issuing debt increases long-term liabilities in the statement of net assets. In
the current period, proceeds were received from:

General obligation bonds issued	\$	<u>(1,100,000)</u>	(1,100,000)
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Repayment of long-term debt is reported as an expenditure in governmental funds,
but the repayment reduces long-term liabilities in the statement of net assets.

In the current year, these amounts consist of:

Bond principal retirement		<u>50,000</u>	50,000
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Some items reported in the statement of activities do not require the use of
current financial resources and therefore are not reported as expenditures in
governmental funds. These activities consist of:

Bond issue costs to be amortized		25,335	
Amortization of bond issue costs		<u>(1,689)</u>	
			<u>23,646</u>

Change in net assets of governmental activities \$ 193,716

**RECREATION DISTRICT NO. 2
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**NOTES TO FINANCIAL STATEMENTS
For the year ended September 30, 2003**

The Recreation District No. 2 of the Parish of St. Mary, Louisiana (the District) was created and established by ordinance No. 961 adopted by the St. Mary Parish Council on June 26, 1985. The District is governed by a board of commissioners composed of five members appointed by the St. Mary Parish Council. The "Recreation District No. 2 as created shall constitute a public corporation and political subdivision of the State of Louisiana, and as such, will have the rights, powers, and privileges granted and conferred by the Constitution and Statutes of the State of Louisiana, and subject to the terms and provisions of the St. Mary Parish Home Rule Charter, and the rights and duties conferred therein, including the authority to incur debt, to issue bonds, and to levy taxes and assessments." The District is authorized to acquire land, construct and maintain buildings, equipment and other facilities to be used in providing recreation facilities within the corporate boundaries of the District.

Note 1 *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The accounting and reporting policies of the St. Mary Parish Recreation District No. 2 (the District) conform to generally accepted accounting principles as applicable to governments. 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 certain significant accounting policies:

A. Reporting Entity

As the governing authority of the parish, for reporting purposes, the St. Mary Parish Council is the financial reporting entity for St. Mary Parish. The Governmental Accounting Standards Board established criteria for determining which component units should be considered part of the St. Mary Parish Council for financial reporting purposes. The St. Mary Parish Council appoints a voting majority of the District's governing body and can impose its will on the District. Based on criterion applied, the District is a component unit of the St. Mary Parish Council. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the St. Mary Parish Council, the general government services provided by the Council, or the other governmental units that comprise the financial reporting entity for St.

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)

For the year ended September 30, 2003

Note 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity, (Continued)

Mary Parish, Louisiana.

The District has no entities or organizations that are required to be included in its financial report as defined by Government Accounting Standards Board (GASB) Statement 14.

B. Basic Financial Statements – Basis of Presentation

Government-Wide and Fund Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). Both the government-wide and fund financial statements categorize primary activities as governmental type activities. All of the District's administrative services are classified as governmental activities.

In the government-wide Statement of Net Assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts—invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of each of the District's functions and activities. These functions are also supported by general government revenues (interest earned.). The Statement of Activities reduces gross expenses (including depreciation) 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.

The net costs (by function) are normally covered by general revenue (interest earned, etc). 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.

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
For the year ended September 30, 2003

Note 1 ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Governmental Funds

Governmental Funds are those through which the governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The Governmental Funds of the District are as follows:

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.

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities or repair or replacement of major capital facilities (other than those financed by proprietary funds and trust funds.)

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of general long-term obligation principal, interest and related costs.

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)

For the year ended September 30, 2003

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The governmental fund financial statements are accounted for using a current financial resources measurement focus. With this measurement focus only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental fund financial statements. 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 the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The governmental funds use the following practices in recording revenues and expenditures:

Ad valorem taxes and revenue sharing are considered susceptible to accrual. Interest income is recorded when received by the District. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. Budgets

The District complies with the "Louisiana Local Government Budget Act" and henceforth; budgets are adopted for its general fund on a modified accrual basis that is consistent with generally accepted accounting principles. Annual budgets are prepared by the Executive Director of the District along with a budget message and presented to the Board for adoption no later than 15 days prior to the

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
For the year ended September 30, 2003

Note 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

D. Budget (Continued)

beginning of the fiscal year. Budgets are adopted for the fiscal year and lapse at a year-end. The budget is amended by supplemental appropriations as needed to during the year to comply with state law.

E. Cash

Cash includes amounts in demand deposits, interest-bearing deposits, and money market accounts. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Under state law, the District may invest in United States bonds, treasury notes, or certificates. Investments are stated at cost.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes the 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.

F. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are capitalized at historical cost. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
For the year ended September 30, 2003

Note 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not material and therefore not included as part of the capitalized value of the assets constructed.

All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and building improvements	10-40 years
Furniture and fixtures	5 - 12 years
Equipment	5 -15 years

G. Long Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)

For the year ended September 30, 2003

Note 1 ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)***

H. Long Term Debt (Continued)

while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or legally segregated by outside parties for a specific future use.

J. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require 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, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 ***DEPOSITS***

At September 30, 2003, the District has book balances of \$1,367,955 and bank balances (all deposits) of \$1,444,369. These deposits are stated at cost, which approximates market. Under state law, federal deposit insurance or the pledge of securities owned by the fiscal agent bank must secure these deposits (or the resulting bank balances). The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The District's deposits are secured from risk by \$483,661 of federal deposit insurance and \$1,902,408 of pledged securities held by the custodial bank in the name of the fiscal agent bank.

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
For the year ended September 30, 2003

Note 2 *DEPOSITS (Continued)*

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

Note 3 *AD VALOREM TAXES*

Ad valorem taxes assessed for operation and maintenance and payment of general obligation bonds attach as an enforceable lien on property as of January 1 of each year. Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise, and moveable property located in the District's boundaries. Assessed values are established by the St. Mary Parish Assessor's Office and the State Tax Commission at the 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. The last reevaluation was completed for the list of January 1, 2000. Taxes are due and payable December 31 with interest being charged. Lien date for all delinquent properties is April 1. The St. Mary Parish Sheriff bills and collects property taxes for the Commission using the assessed values determined by the tax assessor St. Mary Parish. Commission property tax revenues are budgeted in the year billed.

The tax rate for the year ended September 30, 2003 was 13 mills assessed valuation on property within St. Mary Parish Recreation District No. 2 for the purpose of maintaining and operating the facilities and programs, and 7.3 mills for the purpose of payment of general long term debt principal, interest, and related costs for the District. These property taxes were levied and billed November 1, 2002 and were due and payable by December 31, 2002.

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
For the year ended September 30, 2003

Note 4 *COMPENSATION OF BOARD MEMBERS*

As of September 30, 2002 or during the year then ended, the following individuals served on the Board of Commissioners and were paid per diem allowances as scheduled:

NAME	MONTHS OF SERVICE	PER DIEM RECEIVED
Richard Martin	12	\$190
Alvin Wilkerson	12	190
Edward Thomas	12	190
Lee O. Bobb	12	190
Philip Dural, Jr.	12	190
TOTAL		\$950

Note 5 *DUE FROM OTHER GOVERNMENTAL UNITS*

The amounts due from other governmental units consisted of December sales tax collections due from the St. Mary Parish Council to be expended by the District.

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)

For the year ended September 30, 2003

Note 6 CAPITAL ASSETS

Capital assets and depreciation activity for the year is as follows:

Governmental Activities:	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$13,981	-	-	\$13,981
Construction in Progress	-	\$322,678	-	322,678
Total not being depreciated	\$13,981	\$322,678	-	\$336,659
Capital assets being depreciated				
Buildings & Improvements	\$1,334,210	\$22,301	\$23,967	\$1,332,544
Recreation Equipment	72,597	-	1,791	70,806
Furniture & Office Equipment	22,899	1,097	2,259	21,737
Transportation Equipment	47,677	94,000	4,000	137,677
Kitchen Equipment	33,893	26,942	-	60,835
Maintenance Equipment	38,016	17,533	4,295	51,254
Total being depreciated	\$1,549,292	\$161,873	\$36,312	\$1,674,853

Less accumulated depreciation:

Buildings & Improvements	\$550,014	\$41,300	\$8,905	\$582,409
Recreation Equipment	45,527	6,151	1,704	49,974
Furniture & Office Equipment	17,934	1,528	2,258	17,204
Transportation Equipment	32,670	6,727	4,000	35,397
Kitchen Equipment	28,659	1,035	0	29,694
Maintenance Equipment	22,957	4,454	2,539	24,872
Totals	\$697,761	\$61,195	19,406	\$739,550
Capital assets, net	\$865,512			\$1,271,962

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)

For the year ended September 30, 2003

Note 6 CAPITAL ASSETS (Continued)

Depreciation expense of \$61,195 for the year was charged to the general government – Recreation function in the statement of activities.

Note 7 BONDS AND INTEREST PAYABLE

General Obligation Refunding Bonds, Series 1993, are secured by ad valorem taxes assessed on all property in the boundaries of the District. The District has accumulated sufficient resources in the Debt Service Fund to retire the outstanding principal and interest on the 1993 General Obligation Refunding Bonds; therefore, the remaining principal and interest has been recorded as current year debt service fund expenditures and liabilities. The principal and interest amounts are recorded as current in the statement of net assets. The following schedule reconciles current year bond principal and interest record as expenditures on the 1993 issue:

	Payable 9/30/02	Debt Incurred	Debt Retired	Payable 9/30/03
General Obligation Refunding Bonds, Series 1993	360,000		\$80,000	\$280,000

Following is a summary of bond principal maturities and interest requirements for the 1993 General Obligation Refunding Bonds:

Maturity	Principal	Interest	Total
2004	\$ 85,000	\$ 12,172	\$ 97,172
2005	95,000	7,559	102,559
2006	100,000	2,563	102,563
Totals	\$280,000	\$22,294	\$302,294

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)

For the year ended September 30, 2003

Note 8

GENERAL LONG-TERM DEBT AND FUNDS TO BE PROVIDED FOR INTEREST

On July 20, 2002, taxpayers approved an issuance of bonds and the levy of a special tax to issue \$1,100,000 of 15 year general obligation bonds of the District for constructing, purchasing and acquiring lands, buildings, equipment, and other facilities to be used in providing recreational facilities for the District.

A summary of changes in long-term-debt of the District is as follows:

	Payable 9/30/02	Debt Incurred	Debt Retired	Payable 9/30/03
General Obligations Bonds, Series 2002		1,100,000	\$50,000	\$1,050,000

The annual requirements, including interest, to amortize all long-term debt outstanding are as follows:

Maturity	Principal	Interest	Total
2004	50,000	45,305	95,305
2005	55,000	42,733	97,733
2006	60,000	39,915	99,915
2007	60,000	36,975	96,975
2008	65,000	33,912	98,912
2009-2013	375,000	126,761	501,761
2014-2015	385,000	36,474	421,474
Totals	\$1,050,000	\$362,075	\$1,412,075

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)

For the year ended September 30, 2003

NOTE 9 *ON-BEHALF PAYMENTS FOR FRINGE BENEFITS*

Property tax revenues include amounts withheld by the Sheriff to make “on-behalf payments for fringe benefits” which represents the District’s pro-rata share of retirement plan contributions for other governmental units. Because the District is one of several governmental agencies receiving proceeds from a property tax assessment, it has to bear a pro-rata share of the pension expense relating to the public employees who participate in the Parochial Employees Retirement System.

The District’s pro-rata share of the required contribution (\$14,073), which was withheld by the Sheriff from property tax collections to satisfy the District’s obligation, has been presented as “Pension – ad valorem” in the expenditure of the General and Debt Service funds in these financial statements. The District has also increased its property tax revenues by the same amount of the expenditure.

NOTE 10 *RISK MANAGEMENT*

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements of claims have not exceeded coverage in the past three years.

NOTE 11 *CONTINGENT LIABILITY – SURPLUS DEBT SERVICE FUNDS*

It is the opinion of the Office of the Attorney General of the State of Louisiana that after general obligation bonds have been paid in full, surplus ad valorem tax revenues attributable to the bonds, should be returned to the taxpayers ratably, if practicable. If the expenses of such a return make this impractical, the excess revenues should be used for the purpose similar to that for which the bonds were authorized. In this case, for capital purposes related to the recreation facility as stated in the proposition approved by the voters. At year-end, the District had accumulated surplus funds in the amount of \$28,754 in the debt service funds for the retirement of the General Obligation Refunding Bonds, Series 1993. These funds are in excess of all remaining principal and interest payments of the bond issue. The Board of Commissioners is considering the procedures necessary to pay off the outstanding bond obligations as well as the procedures to be considered in determining if a tax refund is practicable. The surplus funds will

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

NOTES TO FINANCIAL STATEMENTS, (CONTINUED)
For the year ended September 30, 2003

NOTE 11 CONTINGENT LIABILITY – SURPLUS DEBT SERVICE FUNDS

remain in the debt service fund until the Board of Commissioners has determined which of the procedures will be carried out.

NOTE 12 CONSTRUCTION COMMITMENTS

The District entered into the following construction commitments not yet completed at September 30, 2003:

Construction For	Contract Amount	Amounts Paid/Accrued 9/30/03	Retainage Remaining 9/30/03
Building Improvements	\$514,986	\$249,688	\$265,298
Tennis Courts	43,500	23,490	20,010
Totals	\$558,486	\$273,178	\$ 285,308

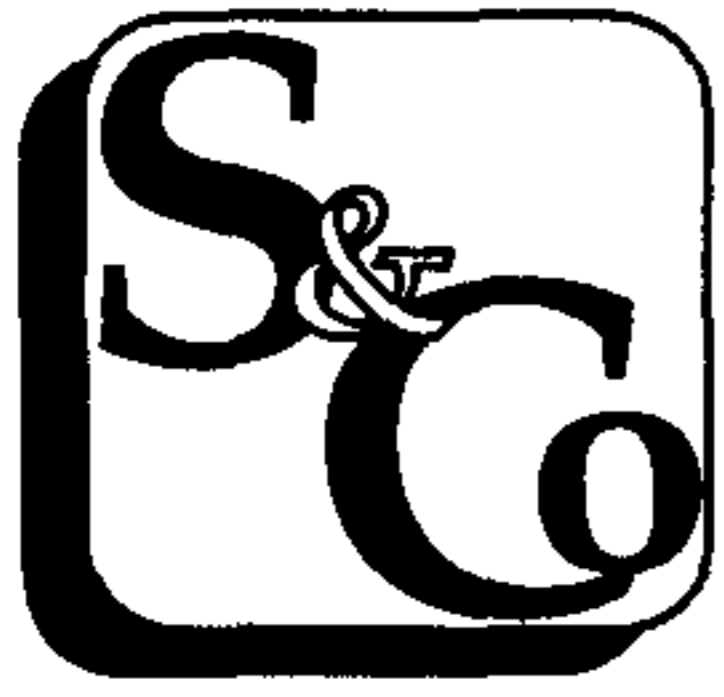
***REQUIRED SUPPLEMENTAL
INFORMATION (PART II)***

**RECREATION DISTRICT No. 2 OF THE PARISH OF ST. MARY
STATE OF LOUISIANA**

Budget Comparison Schedule - General Fund
For the Year Ending September 30, 2003

	Budgeted Amounts		Actual	Variance - Favorable (Unfavorable)
	Original	Final Budget was not amended		
REVENUES				
Ad Valorem Taxes	\$ 160,000		\$ 280,052	\$ 120,052
Sales tax allocation	45,000		54,837	9,837
Interest	-		294	294
Rental & activity income	4,550		11,982	7,432
Other	-		2,083	2,083
Total Revenues	209,550		349,248	139,698
EXPENDITURES				
General government - current:				
Salaries and wages	74,136		66,330	7,806
Fringe benefits	10,000		10,783	(783)
Commissioners per diem	600		950	(350)
Insurance	32,000		32,274	(274)
Utilities and telephone	28,800		25,021	3,779
Legal, accounting and professional fees	6,000		6,225	(225)
Supplies and office	19,700		9,923	9,777
Repairs and maintenance	32,800		27,239	5,561
Truck, bus and tractor expenses	10,000		8,277	1,723
Summer program costs	7,500		6,949	551
Public relations	2,500		1,611	889
Pension - ad valorem tax	-		9,012	(9,012)
Other	5,600		2,192	3,408
Total current expenditures	229,636		206,786	22,850
Capital Expenditure	43,000		28,946	14,054
Total expenditures	272,636		235,732	36,904
Excess (deficiencies) of revenues over expenditures	(63,086)		113,516	50,430
FUND BALANCES				
Beginning of year	65,000		118,816	53,816
Ending of year	\$ 1,914		\$ 232,332	\$ 230,418

***REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS***



STAGNI & COMPANY, LLC

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

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

We have audited the basic financial statements of the Recreation District No. 2 of the Parish of St. Mary as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 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 Recreation District No. 2 of the Parish of St. Mary'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 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*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Recreation District No. 2 of the Parish of St. Mary in a separate letter dated February 6, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Recreation District No. 2 of the Parish of St. Mary'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.

To the Board of Commissioners
Recreation District No. 2 of the Parish of St. Mary
Page 2 of 2

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 solely for the information and use of management, the Board of Commissioners, and the 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.

Stagni & Company

Thibodaux, Louisiana
February 6, 2004



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

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2003

We have audited the basic financial statements of the Recreation District No. 2 of the Parish of St. Mary as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 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. Our audit of the basic financial statements resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

b. *Federal Awards – Not Applicable*

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Type of Opinion On Compliance Unqualified Qualified
For Major Programs Disclaimer Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)? Yes No

c. *Identification of Major Programs – Not Applicable*

CFDA Number (s) Name of Federal Program (or Cluster)

Dollar threshold used to distinguish between Type A and Type B Programs: N/A
Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133? Yes No

Section II - Financial Statement Findings

NOT APPLICABLE

Section III Federal Award Findings and Questioned Costs

NOT APPLICABLE



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

Status of Prior Audit Findings
For the Year Ended September 30, 2003

<u>Reference Number</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NOT APPLICABLE

Section III - Management Letter:

2002-1	2002	Material Weakness - Segregation of Duties	Resolved
		The prior year audit disclosed that there was very little segregation of duties amongst the District's accounting functions, particularly in the areas of cash disbursements, cash receipts, bank reconciliations and general ledger. This weakness is due to the fact that the District employees only one person to attend to the various accounting functions.	

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

Corrective Action Plan
For the Year Ended September 30, 2003

<u>Reference Number</u>	<u>Description of Finding</u>	<u>Corrective Action Planned</u>	<u>Name(s) of Contact Person(s)</u>	<u>Anticipated Completion Date</u>
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Section I - Internal Control and Compliance Material to the Financial Statements:

NONE

Section II - Internal Control and Compliance Material to Federal Awards:

NONE

Section III - Management Letter:

2003-1	Budget Compliance Recreation District No. 2 did not publish notice of advertisement for the 2003 proposed budget - proposed expenditures were over \$250,000.	The Board of Commissioners reponds that it was not aware of the requirement to publish a notice to afford the public the opportunity to participate in the budgetary process prior to the adoption of the budget with proposed expenditures of \$250,000 or more. Although notification of the proposed budget adoption was included on the monthly meeting agenda and posted in the office prior to the regular meeting, the notification was not published in the official journal. The District had not encountered this situation in prior years. The Board will monitor future proposed budgets for application of this requirement of the state budget law prior to completion and adoption of annual budgets.	Leroy Trim Executive Director	3/15/2004
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STAGNI & COMPANY, LLC

February 6, 2004

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

We have audited the basic financial statements of Recreation District No. 2 of the Parish of St. Mary as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 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.

As part of our examination, we have issued a report on the financial statements and a report on internal control and compliance with laws, regulations, and contracts, dated February 6, 2004. During the course of our examination, we became aware of the following matters, which represent immaterial deviations of compliance or suggestions for improved internal controls.

Suggestion 2003-1 Budget Compliance

Criteria: According to LRS 39:1307, "Political subdivisions with total proposed expenditures of \$250,000 or more from the general fund and any special revenue funds shall afford the public an opportunity to participate in the budgetary process prior to the adoption of the budget. The political subdivision shall cause to be published a notice stating the proposed budget is available for public inspection and the notice shall also state that a public hearing on the proposed budget shall be held with the date, time and place of the hearing specified in the notice."

Condition: The Recreation District did not publish notice in the official journal for the 2003 proposed budget.

Cause: The district was unaware of the publication portion in the law for budgets over \$250,000. The district had not adopted a budget with expenditures over \$250,000 in the past.

Effect: The district is not in compliance with the above LRS 39:1307.

Recommendation: We recommend that the District, when the budget is over \$250,000 publish notice that the budget is available for public inspection and include in that notice the date, time and place of the public hearing on the budget.

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Recreation District No. 2 of the Parish of St. Mary
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We recommend management address the foregoing issues as an improvement to operations and the administration of public programs. We are available to further explain the suggestions or help implement the recommendation.

Stagni & Company

February 6, 2004
Thibodaux, LA



STAGNI & COMPANY, LLC