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**RECREATION DISTRICT NO. 3
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA**

Annual Component Unit Financial Statements
with Independent Auditors' Report

and

Independent Auditors' Report on
Internal Accounting Control and Compliance

For the Year Ended
September 30, 2003

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

Release Date 3.17.04

RECREATION DISTRICT NO. 3
OF THE
PARISH OF ST. MARY
STATE OF LOUISIANA

Annual Component Unit Financial Statements
with Independent Auditors' Report

AND

Independent Auditors' Report on
Internal Accounting Control and Compliance

FOR THE YEAR ENDED SEPTEMBER 30, 2003

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Recreation District No. 3
Post Office Box 635
Patterson, LA 70392

We have audited the accompanying component financial statements of the Recreation District No. 3, of the Parish of St. Mary, State of Louisiana, as of and for the year ended September 30, 2003, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these 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 of America. Those standards require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Recreation District No. 3 as of September 30, 2003, and the results of its operations and the cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.


As described in Note 1 to the financial statements, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – For State and Local Governments*. This resulted in a change in format and content of the financial statements as of September 30, 2003.

The Management's Discussion and Analysis on pages 3 to 7 is not a required part of the financial statements but is 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information, as listed in the table of contents, while not considered necessary for a fair presentation of the financial statements, is presented as supplementary analytical data.

Such information, except for that portion marked "unaudited", on which we express no opinion, has been subjected to auditing procedures applied in the audit of the financial statements, and in our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 18, 2004 on our consideration of the Recreation District No. 3's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in considering the results of our audit.



ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
January 18, 2004

RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Management's Discussion and Analysis (Unaudited)

Our discussion and analysis of the financial performance of Recreation District No. 3 provides an overview of the District's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the Commission's financial statements, which begin on page 8.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$102,049 for the year ended September 30, 2003.

The District's total General Fund operating revenues were \$255,066 and operating expenses were \$263,658 resulting in operating loss (\$8,592).

The interest earned on the money market account and the certificate of deposits was \$8,585 for the year.

The District issued additional bonds for recreational facility improvements in the amount of \$600,000 for the year ended September 30, 2003 resulting in a total of \$1,470,000 in bonds outstanding as of September 30, 2003.

USING THIS ANNUAL REPORT

This annual report consists of three parts – *Management's discussion and analysis*, the basic *financial statements*, and *supplementary information*. The basic financial statements consist of a series of financial statements. The Statement of Net Assets and the Statement of Activities found on pages 8 & 9 provide information about the financial activities of the District and illustrate a long-term view of the District's finances. Fund financial statements start on page 10. For governmental type activities, these statements illustrate how these services were financed in the short-term and what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's significant funds.

Government-wide Statements

The government-wide statements report information about the District as a whole using the accrual method of accounting. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net assets and how they changed. Net assets the difference between the District's assets and liabilities is one way to measure the District's financial health or position.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant funds, not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

SUMMARY OF STATEMENT OF NET ASSETS

A summary of the basic government-wide financial statements is as follows:

	<u>Governmental Activities</u>
ASSETS	
Cash and cash investments	\$ 38,553
Prepaid expenses	21,082
Due from St. Mary Parish Council	29,524
Restricted assets:	
Cash and cash investments	719,298
Capital assets:	
Land	268,607
Construction in progress	52,258
Buildings and improvements	1,466,699
Ball parks	427,875
Equipment	101,952
Furniture	40,194
Accumulated depreciation	<u>(461,661)</u>
 Total Assets	 <u><u>\$ 2,704,381</u></u>
LIABILITIES	
Payroll taxes payable	\$ 2,016
Accounts payable	2,256
Accrued interest payable	5,868
Deferred FEMA grant	20,530
Long-term liabilities:	
Due within one year	110,000
Due after one year	<u>1,360,000</u>
Total Liabilities	<u>\$ 1,500,670</u>
NET ASSETS	
Invested in capital assets net of debt	\$ 973,666
Restricted for:	
Debt service	168,623
Capital Projects	2,833
Unrestricted	<u>58,589</u>
Total Net Assets	<u>1,203,711</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,704,381</u></u>

SUMMARY OF STATEMENT OF ACTIVITIES

A summary of the basic government-wide financial statements is as follows:

	<u>Governmental Activity</u>
EXPENDITURES	
Auto	\$ 2,002
Advertising	2,467
Insurance	37,956
Bank charges	11
Depreciation	58,773
Per diem	840
Legal & accounting	9,110
Supplies & office	13,748
Employees cost	77,278
Repairs	25,256
Telephone	3,092
Utilities	25,856
Miscellaneous	1,126
Uniforms & linen	2,883
Interest	63,333
Total Expenditures	<u>\$ 323,731</u>
REVENUE	
Donations	\$ 200
Ad valorem taxes	239,274
Grant-St. Mary Parish Council	135,026
Grant-FEMA hurricane	6,741
Net activity income	35,954
Interest income	8,585
Total Revenues	<u>425,780</u>
Change in net assets	\$ 102,049
Net assets beginning of year	<u>1,101,662</u>
Net assets end of year	<u><u>\$ 1,203,711</u></u>

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget was revised once during the year. Budgeted revenues exceeded actual revenues by \$634, while actual expenditures exceeded budget expenditures by \$41,558.

CAPITAL ASSETS

At the end of the year, the District has \$2,357,585 invested in capital assets, including land, construction in progress, buildings, ball parks, equipment, and furniture. This year there were additions of \$114,291 and no disposals, reflecting a net increase in capital assets of \$114,291. More detailed information about the District's capital assets is presented in note 6 of the financial statements.

DEBT

During the year ended September 30, 2003 the District issued \$600,000 in additional bonds for the purpose of recreational facility improvements. At year end the District had a total of \$1,470,000 in outstanding bonds payable. More detailed information about the District's debt is presented in note 7 of the financial statements.

FUTURE PLANNING

During the year ended September 30, 2003 the District held an election to authorize the District to issue \$850,000 General Obligation Bonds payable over the next 20 years. The bonds will be paid from ad valorem taxes to be levied by the District. As of September 30, 2003 only \$600,000 of the bonds have been issued. The bonds proceeds are to be used for the purpose of constructing, equipping and furnishing an addition to the community center and improving existing parks and other recreational facilities of the District. The following is a list the of projects expected to be completed within the next year:

Bayou Vista Community Center

- 1) Installation on new acoustical ceiling in gymnasium, extend lighting, sound system and sprinkler system. Estimated cost \$55,000.
- 2) Construction of storage addition to right rear corner of existing building that will be accessible from gymnasium with a covered entrance to overhead door. Estimated cost \$85,000.
- 3) Construction of a new playground with safety surfacing between building and concession building. This area will contain new playground equipment, picnic tables, a metal building covering, barbecue pits, and landscaping. Estimated cost \$65,000.

FUTURE PLANNING (Continued)

Bayou Vista Central Park

- 1) Redevelop existing underutilized playground with new fencing, play equipment with safety surfacing, picnic pavilions, and security lighting. Estimated cost \$125,000 .
- 2) Development of open area adjacent to playground with landscaping and paved public parking to increase safety for small children. Estimated cost \$45,000.
- 3) Development of large picnic pavilion for large gatherings. Estimated cost \$75,000.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

- This financial report is designed to provide our citizens, participants and other interested parties with a general overview of the funds maintained by the District and to show the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Stan Robison, board member at P.O. Box 635 Patterson, Louisiana 70392.

RECREATION DISTRICT NO. 3
 PARISH OF ST. MARY
 STATE OF LOUISIANA
 Statement on Net Assets
 September 30, 2003

	Governmental Activities
ASSETS	
Cash and cash investments	\$ 38,553
Prepaid expenses	21,082
Due from St. Mary Parish Council	29,524
Restricted assets:	
Cash and cash investments	719,298
Capital Assets:	
Land	268,607
Construction in progress	52,258
Buildings and improvements	1,466,699
Ball parks	427,875
Equipment	101,952
Furniture	40,194
Accumulated depreciation	<u>(461,661)</u>
 Total Assets	 <u><u>\$ 2,704,381</u></u>
LIABILITIES	
Payroll taxes payable	\$ 2,016
Accounts payable	2,256
Accrued interest payable	5,868
Deferred FEMA grant	20,530
Long-term liabilities:	
Due within one year	110,000
Due after one year	<u>1,360,000</u>
Total Liabilities	<u>\$ 1,500,670</u>
NET ASSETS	
Invested in capital assets net of debt	\$ 973,666
Restricted for:	
Debt service	168,623
Capital Projects	2,833
Unrestricted	<u>58,589</u>
Total Net Assets	<u>1,203,711</u>
 Total Liabilities and Net Assets	 <u><u>\$ 2,704,381</u></u>

See the accompanying notes to the financial statements.

RECREATION DISTRICT NO. 3
 PARISH OF ST. MARY
 STATE OF LOUISIANA
 Statement of Activities
 Year Ended September 30, 2003

	Governmental Activity
EXPENDITURES	
Auto	\$ 2,002
Advertising	2,467
Insurance	37,956
Bank charges	11
Depreciation	58,773
Per diem	840
Legal & accounting	9,110
Supplies & office	13,748
Employees cost	77,278
Repairs	25,256
Telephone	3,092
Utilities	25,856
Miscellaneous	1,126
Uniforms & linen	2,883
Interest	63,333
Total Expenditures	\$ 323,731
REVENUE	
Donations	\$ 200
Ad valorem taxes	239,274
Grant-St. Mary Parish Council	135,026
Grant-FEMA hurricane	6,741
Net activity income	35,954
Interest income	8,585
Total Revenues	425,780
Change in net assets	\$ 102,049
Net assets beginning of year	1,101,662
Net assets end of year	\$ 1,203,711

See the accompanying notes to the financial statements.

RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Balance Sheet

Governmental Funds

For the Year Ended September 30, 2003

	General	Debt Service	Capital Project Fund	Total Governmental Funds
ASSETS				
Cash	\$ 38,553	\$ 168,723	\$ 550,575	\$ 757,851
Prepaid expenses	21,082	-	-	21,082
Due from Debt Service Fund	100	-	-	100
Due from Parish Council	29,524	-	-	29,524
Total Assets and Other Debits	\$ 89,259	\$ 168,723	\$ 550,575	\$ 808,557

Liabilities, and Fund Balances

LIABILITIES				
Payroll taxes payable	\$ 2,016	-	-	\$ 2,016
Accounts payable	2,256	-	-	2,256
Due to General Fund	-	100	-	100
Deferred FEMA Grant	20,530	-	-	20,530
Total Liabilities	\$ 24,802	\$ 100	-	\$ 24,902

FUND BALANCES

Reserved for:				
Debt service	-	\$ 168,623	-	\$ 168,623
Capital funds	-	-	550,575	550,575
Unreserved/undesignated	64,457	-	-	64,457
Total Fund Balances	\$ 64,457	\$ 168,623	\$ 550,575	\$ 783,655
Total Liabilities and Fund Balances	\$ 89,259	\$ 168,723	\$ 550,575	\$ 808,557

See accompanying notes to the financial statements.

RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Reconciliation of the Government Funds Statement of Revenues, Expenditures,
and the Changes in Fund Balance to the Statement of Activities
September 30, 2003

Net Change in fund balance - total governmental funds (Page 12)	\$562,399
Government funds report capital outlay as expenditures.	114,291
However, in the statement of activities the cost of these assets are allocated over their useful lives and reported as depreciation expense.	(58,773)
The issuance on long-term debt (e.g. bonds) provide current resources to government funds, while repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	(510,000)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets, but does not require the use of current financial resources; therefore, accrued interest is not reported as expenditures in governmental funds.	<u>(5,868)</u>
Changes in net assets of governmental activities (Page 9)	<u><u>\$102,049</u></u>

See the accompanying notes to the financial statements.

RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended September 30, 2003

	General	Debt Service	Capital Projects	Total Govenmental Funds
REVENUE				
Donations	\$ 200	\$ -	\$ -	\$ 200
Ad valorem taxes	75,610	163,664	-	239,274
Grant-Parish Council	135,026	-	-	135,026
FEMA Hurricane Grant	6,741	-	-	6,741
Net activity income	35,954	-	-	35,954
Interest income	1,535	4,217	2,833	8,585
Total Revenues	\$ 255,066	\$ 167,881	\$ 2,833	\$ 425,780
EXPENDITURES				
Auto	\$ 2,002	\$ -	\$ -	\$ 2,002
Advertising	2,467	-	-	2,467
Insurance	37,956	-	-	37,956
Bank charges	11	-	-	11
Per diem	840	-	-	840
Legal & accounting	9,110	-	-	9,110
Supplies & office	13,748	-	-	13,748
Salaries	67,972	-	-	67,972
Repairs	25,256	-	-	25,256
Telephone	3,092	-	-	3,092
Utilities	25,856	-	-	25,856
Payroll taxes	5,630	-	-	5,630
Miscellaneous	1,126	-	-	1,126
Uniforms & linen	2,883	-	-	2,883
Retirement	3,676	-	-	3,676
Capital outlay	62,033	-	52,258	114,291
Bond interest and fees	-	57,465	-	57,465
Bond principal	-	90,000	-	90,000
Total Expenditures	\$ 263,658	\$ 147,465	\$ 52,258	\$ 463,381
Excess of Revenues over <under> Expenditures	\$ (8,592)	\$ 20,416	\$ (49,425)	\$ (37,601)
Other financing sources				
Bonds issued	-	-	600,000	600,000
Excess (Deficiency) of Revenues and Other sources over Expenditures	\$ (8,592)	\$ 20,416	\$ 550,575	\$ 562,399
Fund Balance				
Beginning of Year	73,049	148,207	-	221,256
End of Year	\$ 64,457	\$ 168,623	\$ 550,575	\$ 783,655

See accompanying notes to the financial statements.

RECREATION DISTRICT NO. 3
 PARISH OF ST. MARY
 STATE OF LOUISIANA
 Reconciliation of the Governmental Funds Balance Sheet
 to the Government-Wide Statement of Net Assets
 September 30, 2003

Total Fund Balances - Governmental Funds (Page 10) \$ 783,655

The purchase of capital assets are reported as expenditures as they are incurred in the government funds. The Statement of Net Assets reports capital assets as an asset and these capital assets are depreciated over their estimated useful lives and are reflected as depreciation expense in the Statement of Activities.

Cost of Capital Assets at September 30, 2003 2,357,585
 Less: Accumlated Depreciation as of September 30, 2003 (461,661)

Interest payable on long-term debts does not require current financial resources. Therefore interest payable in not reported as a liability in governmental funds balance sheet. (5,868)

Long-term liabilities are not due and payable in the current period and, therefore, they are not required in the governmental funds balance sheet. (1,470,000)

Net Assets - Government - Wide Statement (Page 8) \$ 1,203,711

See the accompanying notes to the financial statements.

RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
September 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recreation District No. 3, of the Parish of St. Mary, State of Louisiana, was created by Ordinance No. 1109 of the St. Mary Parish Council on June 13, 1990. The District encompasses Ward Eight of the Parish of St. Mary, State of Louisiana, less and except that territory contained within the corporate limits of the Town of Berwick, as said corporate limits are presently constituted, and a portion of Ward Five of the Parish of St. Mary, State of Louisiana. The purpose of the District is to provide for cultural and recreational activities in that portion of the Parish.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517, and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies:

A) REPORTING ENTITY

GASB Statement No. 14, *Governmental Reporting Entity*, established criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. Recreation District No. 3, of the Parish of St. Mary, State of Louisiana, is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the CAFR of the Council for the year ended December 31, 2002. Recreation District No. 3 has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B) CHANGE IN ACCOUNTING

This financial statement has been prepared in conformity with GASB No. 34. In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*.

GASB Statement No. 34 creates new basic financial statements for reporting on Recreation District No. 3’s financial activities. The financial statements now include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which had been the method of presentation in previously issued financial statements. Non-major funds are presented in total in one column in the fund financial statements.

The implementation of GASB Statement No. 34 caused the opening fund balance at September 30, 2002 to be restated in terms of net assets as follows:

Total fund balance - Governmental Fund - at September 30, 2002	\$ 221,256
Add: Cost of capital assets at September 30, 2002	2,243,294
Less: Accumulated depreciation at September 30, 2002	(402,888)
Less: Bonds issued and paid	<u>(960,000)</u>
Net assets at September 30, 2002	<u>\$1,101,662</u>

C) BASIS OF PRESENTATION

Recreation District No. 3’s financial statements consist of the government-wide statements on all activities and the governmental fund financial statements.

Government-Wide Financial Statements:

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of Recreation District No. 3. The government-wide presentation is designed to provide a more comprehensive view of the government’s operations and financial position as a single economic entity.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C) BASIS OF PRESENTATION (Continued)

Fund Financial Statements:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of statement GASB No. 34. The accounts of Recreation District No. 3 are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The following is the Governmental Fund of the Recreation District No. 3:

Governmental Fund Type

General Fund – The General Fund is the general operating fund of the District and accounts for all revenues and expenditures of the District not encompassed within other funds. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

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

Capital Project Fund – This fund will account for use of the bond proceeds issued for the acquisition of general fixed assets, and recreational facility improvements.

D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe which transactions are recorded within the various financial statements. Basis of accounting refers to when revenues and expenditures or expenses 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D) MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Continued)

Government-Wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows.

Fund Financial Statements:

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

The governmental fund financial statement is presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligations long-term debt, if any, is recognized when due. Allocations of cost such as depreciation are not recognized in governmental funds.

E) USE OF ESTIMATES

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F) BUDGETS

The District is required by state law to legally adopt an annual budget for the General Fund. This budget is presented on the modified accrual basis of accounting which is consistent with generally accepted accounting principles (GAAP).

Annual operating budgets are plans of current expenditures and the proposed means of financing them. Budgets are the primary means by which the acquisition, spending and service delivery activities of a government are legally controlled. The Board members must approve any revisions that alter the total expenditures. Budgeted amounts shown are as originally adopted or as amended by the Board.

G) COMPENSATED ABSENCES

The District does not have any compensated absences for the year ended September 30, 2003.

H) CAPITAL ASSETS

Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other cost incurred for repairs and maintenance are expensed as incurred.

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

Government-Wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Depreciation of all exhaustible capital assets are recorded as a depreciation expense in the Statement of Activities, with accumulated depreciation reflected in the statement of Net Assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H) CAPITAL ASSETS (continued)

Government-Wide Financial Statements:

Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of assets is as follows

Leasehold improvements	20 - 40 years
Equipment	5 - 12 years
Furniture	5 - 7 years
Vehicles	5 year

Fund Financial Statements:

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

I) LONG-TERM OBLIGATIONS

In the government-wide financial statements, debt principal payments are reported as decreases in the balance of the liability on the Statement of Net Assets. In the fund financial statements, however, debt principal payments of governmental funds are recognized as expenditures when paid.

J) NET ASSETS/ FUND BALANCE

In the Statement of Net Assets, the difference between a government's assets and liabilities are recorded as net assets. The three components of net assets are as follows:

Invested in Capital Assets, Net of Related Debt

This category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J) NET ASSETS/FUND BALANCE (Continued)

Restricted Net Assets

Net assets that are restricted by external sources such as banks or by law are reported separately as restricted net assets. When assets are required to be retained in perpetuity, these non-expendable net assets are recorded separately from expendable net assets. These are the components of restricted net assets.

Unrestricted Net Assets

This category represents net assets not appropriable for expenditures or legally segregated for a specific future use.

NOTE 2 – CASH AND CASH EQUIVALENTS

For financial statement purposes, cash and cash equivalents include demand deposits and certificates of deposit which have a maturity of three months or less. *Cash and cash equivalents are stated at cost, which approximates market.*

NOTE 3 – CASH AND INVESTMENTS

The Recreation District No. 3 may invest in time deposits or certificate of deposits of state banks or savings and loan associations or savings banks organized under Louisiana law and national banks having principal offices in Louisiana. State law requires that deposits be fully collateralized at all times. Acceptable collateralization includes the \$100,000 FDIC/FSLIC insurance and the market value of securities purchased and pledged. 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 District or with an unaffiliated bank or trust company for the account of the District.

The District's cash and investments are categorized to give an indication of the level of risk assumed by the District at September 30, 2003:

- Category 1 – Insured or collateralized with securities held by the District or by its agent in the District's name.
- Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.
- Category 3 – Uncollateralized or securities uninsured or unregistered and held by the counter party (this includes GNMA Pool investments and mutual fund shares held in "book-entry only" form by brokerage firms).

NOTE 3 – CASH AND INVESTMENTS (Continued)

Cash and investments (including restricted assets) stated at cost consist of the following:

	<u>Stated Value</u>	<u>Bank Balance</u>
Checking and money market accounts	\$ 566,126	\$ 573,803
Certificate of deposit	23,001	23,001
Government Securities	50,000	50,000
Mutual fund money market	118,724	118,724
	-----	-----
Total cash and investments	\$ 757,851	\$ 765,528
	=====	=====

Cash and investments categorized by level of risk are:

	<u>Cost</u>	<u>Market Value</u>
Category 1 -	\$ 639,127	\$ 640,635
Category 2 -	---	---
Category 3 -	118,724	118,724
	-----	-----
Total cash and investments	\$ 757,851	\$ 759,359
	=====	=====

NOTE 4 – TAXES

The District's property tax is levied in October of each year on the assessed value of property within the District's taxing area. Taxes are due and payable by December 31 and an enforceable lien attaches to the property on January 1. The taxes are collected on behalf of the District by the Sheriff and then remitted to the District. The District receives most of the ad valorem taxes in January and February. For the year ended September 30, 2003 the District levied a property tax millage of 9.5 mills. 6.5 mills was to provide for the payment of the General Obligation Bonds principal and interest, and the remaining 3 mills was to provide funds for operations and maintenance.

NOTE 5 - COMPENSATED ABSENCES

The District does not have any compensated absences for the year ended September 30, 2003.

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2003, was as follows:

	<u>Balance 1-Oct-02</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 30-Sep-03</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	268,607	-	-	268,607
Construction in Progress	-	52,258	-	52,258
Total	<u>268,607</u>	<u>52,258</u>	<u>-</u>	<u>320,865</u>
Capital assets being depreciated:				
Buildings and Improvements	1,458,602	8,097	-	1,466,699
Ball Parks	413,803	14,072	-	427,875
Equipment	82,544	19,408	-	101,952
Furniture	19,738	20,456	-	40,194
Total	<u>1,974,687</u>	<u>62,033</u>	<u>-</u>	<u>2,036,720</u>
Less accumulated depreciation				
Buildings and Improvements	(266,597)	(35,794)	-	(302,391)
Ball Parks	(83,164)	(14,414)	-	(97,578)
Equipment	(38,702)	(6,265)	-	(44,967)
Furniture	(14,425)	(2,300)	-	(16,725)
Total accumulated depreciation	<u>(402,888)</u>	<u>(58,773)</u>	<u>-</u>	<u>(461,661)</u>
Total capital assets being depreciation, net	1,571,799	3,260	-	1,575,059
Governmental activities capital activities, net	<u>1,840,406</u>	<u>55,518</u>	<u>-</u>	<u>1,895,924</u>

NOTE 7 – LONG-TERM DEBT

The following is a summary of changes in general long-term debt for the year ended September 30, 2003:

Balance September 30, 2002	\$ 960,000
Additions	600,000
Reductions	<u>(90,000)</u>
Balance September 30, 2003	<u>\$ 1,470,000</u> =====

Bonds payable at September 30, 2003 are comprised of the following issues:

\$1,085,000 General Obligation Refunding Bonds, Series 1998, due in annual installments of \$60,542 to \$136,125 through March 1, 2011, interest fixed at 5% payable from ad valorem taxes of the District. These bonds were issued for the advance refunding of \$1,075,000 of the Series 1991 bonds, which were issued for the construction of the original facility.

\$850,000 General Obligation Bonds, Series 2003 of which only \$600,000 has been issued, due in annual installments of \$11,216 to \$49,088 through March 1, 2023, interest from 4.00% to 5.00% payable from ad valorem taxes to be levied by the District. Issued for the purpose of constructing, equipping and furnishing an addition to the community center and improving existing parks and other recreational facilities of the District.

Bonds payable at September 30, 2003

General Obligation Refunding Bonds, Series 1998	\$ 870,000
General Obligation Bonds, Series 2003	<u>600,000</u>
Total bonds payable at September 30, 2003	<u>\$1,470,000</u> =====

NOTE 7 – LONG-TERM DEBT (continued)

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the District. General Obligation Bonds require the District to compute at the time other taxes are levied, the rate of tax required to provide in each year that bonds are outstanding a fund to pay interest and principal at maturity.

The District is subject to certain affirmative and negative covenants pursuant to its bond and debt agreements. The covenants include but are not limited to:

- 1) Establishment and funding of a certain debt service fund.
- 2) Restriction as to additional debt issuance.

The following is an approximation of future debt requirements at September 30, 2003:

Year	Principal	Interest	Total
2004	\$ 110,000	\$ 67,668	\$ 177,668
2005	115,000	62,043	177,043
2006	120,000	56,243	176,243
2007	125,000	50,292	175,292
2008	130,000	44,117	174,117
2009-2013	495,000	128,862	623,862
2014-2018	165,000	69,801	234,801
2019-2023	210,000	25,650	235,650
	<u>\$1,470,000</u>	<u>\$ 504,676</u>	<u>\$1,974,676</u>

NOTE 8- LONG-TERM LIABILITIES

The following is a summary of the long-term obligations during the year ended September 30, 2003:

Due within one year Bonds Payable	\$ 110,000
Due after one year Bonds Payable	<u>1,360,000</u>
Total Long-term liabilities	\$1,470,000 =====

NOTE 9 – RETIREMENT SYSTEM

During the year ending September 30, 2003, all of the Recreation District No. 3's employees participated in the Social Security System. For the year ended September 30, 2003, the District contributed \$ 5,200 for the benefit of its employees. In addition, qualified employees also belong to a SEP/IRA Retirement Plan that was established by the District during the year ended September 30, 2002. The District contributes 5% of the gross wages of each qualified employee to their individual SEP/IRA Retirement Plan account on a monthly basis.

NOTE 10 – COMPENSATION OF BOARD MEMBERS AND SECRETARY

The board members received the following per diems for the period ended September 30, 2003:

<u>Name</u>	<u>Meetings Attended</u>	<u>Per Diem Received</u>
Wilbur Lawrence	10	\$ 120
Jeannie Lawrence	10	120
Don Ryan	8	120
Stan Robison	12	120
Chris Dehart	5	120
Jerry Donahoe	11	120
Flo Tisdale	8	120

	Total per diem	\$ 840
		=====

NOTE 11 – RELATED PARTY/LEASES

The District did not have any long-term non-cancelable lease commitments as of September 30, 2003 . The District leases property adjacent to their facility from the Hospital Service District No. 3, also a component unit of the St. Mary Parish Council, at no cost. The District has constructed ball parks on this leased property. This lease agreement shall be binding on both parties until both parties agree to terminate or the property is needed by Hospital Service District No. 3 for a good and valid purpose, at which time the Hospital Service District No. 3 shall give written notice to the Recreation District No. 3 to vacate the property within six months.

Recreation District No. 3 leases part of its complex to Waterworks District No. 2 which is also a component unit of the St. Mary Parish Council.

NOTE 12 – UNEMPLOYMENT COMPENSATION BENEFITS

Management has elected to be self-insured for unemployment compensation benefits. They are required to reimburse the state agency for valid claims. During the year ended September 30, 2001, the District incurred an unemployment claim in the amount of \$6,674 and this is the District's only claim. The District currently has three employees and it is possible the District will occur other claims in the future, but at this point, such an estimate cannot be made.

NOTE 13– NET ACTIVITY INCOME

Net activity income was derived from the following revenues and expenditures:

Revenues	
Rental	\$ 30,433
Concession	12,629
Programs	<u>6,530</u>
Total Revenue	\$ 49,592
Less Direct Cost	<u>(13,638)</u>
Net Activity Income	<u><u>\$ 35,954</u></u>

RECREATION DISTRICT NO. 3
OF THE PARISH OF ST. MARY
STATE OF LOUISIANA

SCHEDULE OF INSURANCE IN FORCE
For the Year Ended September 30, 2003
(Unaudited)

<u>Insurer</u>	<u>Type of Insurance</u>	<u>Coverage</u>	<u>Exp. Date</u>
CNA Ins. Co.	Comprehensive General Liability	Occurance Aggregate \$ 3,000,000 3,000,000	4/1/04
National Union Ins.	Directors & Officers	Aggregate Occurance \$ 2,000,000 2,000,000	4/1/04
CNA Ins. Co.	Property	Total Coverage \$ 1,296,000	4/1/04
Audubon Ins. Co.	Flood	Building Contents \$ 280,000 \$ 60,000	4/28/04
CNA Ins. Co.	Workers Comp.	Each Acc. \$ 1,000,000	4/1/04

RECREATION DISTRICT NO. 3
 PARISH OF ST. MARY
 STATE OF LOUISIANA
 Budgetary Comparison Schedule - General Fund
 For the Year Ended September 30, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
REVENUE				
Donations	\$ 500	\$ 1,500	\$ 200	\$ (1,300)
Ad valorem taxes	66,000	75,000	75,610	610
Grant-Parish Council	105,000	125,000	135,026	10,026
FEMA Hurricane Grant	-	30,000	6,741	(23,259)
Net activity income	18,000	23,000	35,954	12,954
Interest income	1,200	1,200	1,535	335
Total Reveunes	<u>\$ 190,700</u>	<u>\$ 255,700</u>	<u>\$ 255,066</u>	<u>\$ (634)</u>
EXPENDITURES				
Auto	\$ 2,100	\$ 2,100	\$ 2,002	98
Advertising	1,500	2,000	2,467	(467)
Insurance	30,000	44,000	37,956	6,044
Bank charges	500	500	11	489
Per diem	750	750	840	(90)
Legal & accounting	6,000	10,000	9,110	890
Supplies & office	15,000	15,000	13,748	1,252
Employees cost	67,550	66,550	77,278	(10,728)
Repairs	10,000	27,000	25,256	1,744
Telephone	1,600	2,500	3,092	(592)
Utilities	26,000	28,000	25,856	2,144
Miscellaneous	200	200	1,126	(926)
Uniforms & linen	2,500	3,500	2,883	617
Capital outlay	22,000	20,000	62,033	(42,033)
Total Expenditures	<u>185,700</u>	<u>222,100</u>	<u>263,658</u>	<u>(41,558)</u>
Excess of Revenues over (under) Expenditures	\$ 5,000	\$ 33,600	\$ (8,592)	\$ (42,192)
Fund Balance				
Beginning of Year	<u>73,049</u>	<u>73,049</u>	<u>73,049</u>	<u>-</u>
End of Year	<u>\$ 78,049</u>	<u>\$ 106,649</u>	<u>\$ 64,457</u>	<u>\$ (42,192)</u>

See the accompanying notes to the financial statements.

ADAMS & JOHNSON

CERTIFIED PUBLIC ACCOUNTANTS

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HERBERT J. ADAMS, JR., C.P.A.
WILLIAM H. JOHNSON, III, C.P.A.

MEMBERS:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

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

The Board of Commissioners
Recreation District No. 3
Post Office Box 635
Patterson, LA 70392

We have audited the basic financial statements of the Recreation District No. 3 for the year ended September 30, 2003, and have issued our report thereon dated January 18, 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 Recreation District No. 3's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not the objective of our audit 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. This instance of noncompliance is described in the accompanying schedule of findings and questioned cost as item 03-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Recreation District No. 3's internal control over financial reporting in order to determine our auditing procedures for the purposes of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect Recreation District No. 3's ability to record, process, summarize and report financial data consistent with the assertions of management in the basic financial statements. The reportable condition is described in the accompanying schedule of findings and questioned cost as Item 03-2.

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 function.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe item 03-1 to be a material weakness.

This report is intended solely for the use of management, the St. Mary Parish Council, and the Louisiana Legislative Auditor, 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. 3 is a matter of public record.



ADAMS & JOHNSON
Certified Public Accountants

Patterson, Louisiana
January 18, 2004

RECREATION DISTRICT NO. 3
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2003

A. Summary of Audit Results:

1. The auditors' report expresses an unqualified opinion on the financial statements of Recreation District No. 3.
2. One instance of noncompliance immaterial to the financial statements of Recreation District No. 3, which is reported in accordance with *Government Auditing Standards*, was disclosed during the audit see finding item 03-01.
3. One reportable condition in internal control, which is a material weakness see finding item 03-02.

B. Findings:

03-01 Finding: Final expenditures exceeded final budgeted expenditures by more than 5 %.

Cause: The Recreation District No. 3 amended their budget in August of 2003, but did not increase their budgeted expenditures enough to comply with Louisiana R.S. 39:1309.

Recommendation: We recommend that management periodically monitor their budgeted revenues and expenditures to actual revenue and expenditures to ensure this does not occur again.

Management's Response: We were not aware that our final actual expenditures exceeded our final budgeted expenditures by 5%. To ensure this does not occur again, we will periodically compare actual expenditures and revenues to our budgeted expenditures and revenues.

RECREATION DISTRICT NO. 3

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended September 30, 2003

03-02 Finding: Lack of segregation of duties.

Cause: Our examination disclosed that there is not any segregation of duties within the District's accounting function, (especially in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger, and journal entries). This weakness is due to the fact that the District employs only one person to handle all accounting functions. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, since the District only has one employee handling the accounting functions, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also the cost of hiring additional employees to handle the accounting function might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with one employee handling the accounting functions and are constantly on watch for any problems that would occur.

Recommendation: Based upon the cost-benefit of hiring additional accounting personnel, it may not be feasible to achieve complete segregation of duties. We recommend that the District continues to closely monitor all records and transactions.

Response: Management concurs with recommendations.

ADAMS & JOHNSON

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PRIOR YEAR FINDINGS

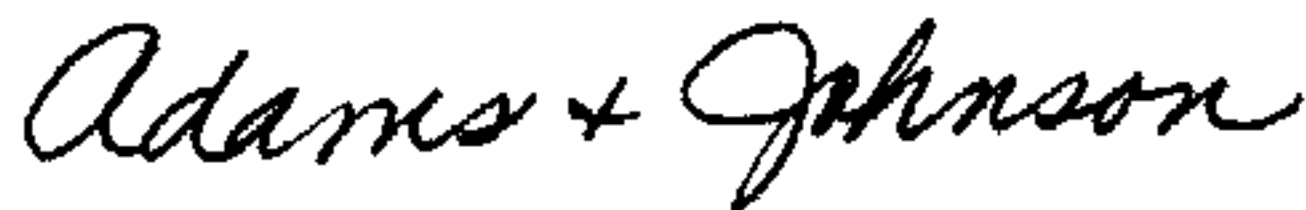
To the Board of Commissioners
Recreation District No. 3
of the Parish of St. Mary
State of Louisiana
Post Office Box 635
Patterson, LA 70392

During the performance of our audit of Recreation District No. 3 for the year ended September 30, 2002, we noted a certain immaterial instance of non-compliance with state laws that was clearly inconsequential to the audit results. However, we feel this instance of non-compliance should be communicated to the Board of Commissioners for future reference.

Budget Amendments

LRS 39:1309 requires the budget to be amended prior to year end if the total actual expenditures exceed the total budgeted expenditures by five percent or more. During the year ended September 30, 2002 we noted the District's total actual expenditures exceeded the total budgeted expenditures by more than five percent.

Current Year Corrective Action: During the year ended September 30, 2003, this finding occurred again. Management is going to correct this problem by establishing a yearly budget review meeting prior to year end.



ADAMS & JOHNSON
Certified Public Accountants

January 18, 2004