

PONCHATOULA AREA RECREATION DISTRICT No. 1  
PONCHATOULA, LOUISIANA

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ANNUAL FINANCIAL STATEMENTS

As of and for the Year Ended December 31, 2010

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

Release Date 8/31/11

**PHIL HEBERT**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**A PROFESSIONAL ACCOUNTING CORPORATION**

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**

**Annual Financial Statements**  
**As of and for the Year Ended December 31, 2010**

**With Supplemental Information Schedules**

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**Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana**

**Annual Financial Statements  
As of and for the Year Ended December 31, 2010**

**With Supplemental Information Schedules**

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MEMBER  
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Accountants

### Independent Auditor's Report

Dr. Bill Wheat, Jr., Chairman  
and Members of the Board of Commissioners  
Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana

I have audited the accompanying financial statements of the governmental activities of the Ponchatoula Area Recreation District No. 1, Ponchatoula, Louisiana, component unit of the Tangipahoa Parish Council, as of and for the year ended December 31, 2010, which comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Ponchatoula Area Recreation District No. 1's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I 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 includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Ponchatoula Area Recreation District No. 1 as of December 31, 2010, 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.

In accordance with *Government Auditing Standards*, I have also issued my report dated June 9, 2011, on my consideration of the Ponchatoula Area Recreation District No. 1's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Sincerely,

*Phil Hebert*

Phil Hebert, CPA  
A Professional Accounting Corporation  
June 9, 2011

## **Management's Discussion and Analysis**

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Management's Discussion and Analysis  
December 31, 2010

**Introduction**

Ponchatoula Area Recreation District No. 1 (the "District") is pleased to present its Annual Financial Report developed in compliance with Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – For State and Local Governments* (hereinafter referred to as GASB 34), and related standards. Please read the following in conjunction with the District's financial statements and footnotes, which follow this section.

**Financial Highlights**

- Total assets for the year were \$11,726,341 at December 31, 2010, and exceeded liabilities in the amount of \$5,731,548 (i.e., net assets). Of the total net assets, \$1,993,281 was unrestricted and available to support short-term operations with the balance invested in capital assets.
- Capital Assets increased by \$3,253,600 during the current fiscal year. The increase is due to the continuing construction of a new gymnasium complex as well as the completion of several various projects throughout the existing recreation park.
- On November 4, 2008, voters in the District approved an additional 4-mil property tax. The proceeds of this tax were dedicated for the construction of a new gymnasium facility. The District sold bonds totaling \$6,160,000 on August 11, 2009, the proceeds of which will be used for the gymnasium construction. Approximately \$3,500,000 of the proceeds have been spent on the project as of December 31, 2010.

**Overview of Annual Financial Report**

Management's Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and supplementary information. The MD&A presents an overview of management's examination and analysis of the District's financial condition and performance.

The financial statements report information on the District using full accrual accounting methods similar to those used in the private business sector. Financial statements include the Balance Sheet and Statement of Revenues, Expenses, and Changes in Net Assets. The Balance Sheet provides information about the nature and amount of the District's resources and obligations at year-end, and provides a basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The *Statement of Revenues, Expenses, and Changes in Net Assets* accounts for the revenues and expenses for the fiscal year, and provides information on how net assets changed during the year. This statement measures the success of the District's operations in a format that can be used to determine if the District has recovered its costs through user fees and other charges.

The notes to the financial statements provide required disclosures essential to an understanding of the financial statements. The notes present information about the District's accounting policies, significant account balances and activities, commitments, contingencies, and subsequent events, if any. Supplementary information includes a comparative budget schedule, key information schedules on operation of the District, and schedules detailing audit findings and management response.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Management's Discussion and Analysis (Continued)  
December 31, 2010

**Financial Analysis**

The purpose of financial analysis is to help determine whether District is better off due to the current year's activities. In this analysis, data from the basic financial statements, the Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets, are presented below in condensed format. These statements report the net assets, the difference between assets and liabilities, and the change in net assets, which provides information for indicating the financial condition of the District. Following these statements is a separate schedule summarizing and analyzing budget changes for the current fiscal year.

**Condensed Balance Sheet**

	December 31, 2010	December 31, 2009	Dollar Change	Percent Change
Current and Other Assets	\$ 4,188,430	\$ 7,195,614	\$ (3,007,184)	-41.79%
Capital Assets	7,441,479	4,187,879	3,253,600	77.69%
Bond Issuance Costs, Net	96,432	99,848	(3,416)	-3.42%
<b>Total Assets</b>	<u>11,726,341</u>	<u>11,483,341</u>	<u>243,000</u>	2.12%
Current Liabilities	427,037	582,169	(155,132)	-26.65%
Long-Term Liabilities	5,567,756	5,902,328	(334,572)	-5.67%
<b>Total Liabilities</b>	<u>5,994,793</u>	<u>6,484,497</u>	<u>(489,704)</u>	-7.55%
Invested in Capital Assets	1,441,579	(2,075,013)	3,516,592	-169.47%
Restricted Net Assets	2,296,688	5,496,879	(3,200,191)	-58.22%
Unrestricted Net Assets	1,993,281	1,576,978	416,303	26.40%
<b>Total Net Assets</b>	<u>\$ 5,731,548</u>	<u>\$ 4,998,844</u>	<u>\$ 732,704</u>	14.66%

"Current and Other Assets" decreased by \$3,007,184, due expenditure of revenue bond proceeds for the construction of the gymnasium. This also resulted in increases in "Capital Assets" and "Invested in Capital Assets" as well as a decrease in "Restricted Net Assets" "Long-Term Liabilities" also decreased by \$334,572 due to a principal payment on the \$6,160,000 Revenue Bonds. All other non-construction related activity in the District was consistent with prior year activity.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Management's Discussion and Analysis (Continued)  
December 31, 2010

**Condensed Statement of Revenues, Expenses, and Changes in Net Assets**

	December 31, 2010	December 31, 2009	Dollar Change	Percent Change
<b>Revenues:</b>				
General Revenues	\$ 1,590,581	\$ 1,497,435	\$ 93,146	6.22%
Total Revenues	1,590,581	1,497,435	93,146	6.22%
<b>Expenses:</b>				
Operating Expenses	497,189	547,910	(50,721)	-9.26%
Depreciation Expense	98,891	72,231	26,660	36.91%
Amortization of Bond Issuance Costs	7,994	1,329	6,665	501.50%
Interest on Debt Service	253,803	103,748	150,055	144.63%
Total Expenses	857,877	725,218	132,659	18.29%
Changes in Net Assets	732,704	772,217	(39,513)	-5.12%
Net Assets, Beginning of Year	4,998,844	4,226,627	772,217	18.27%
Net Assets, End of Year	\$ 5,731,548	\$ 4,998,844	\$ 732,704	14.66%

While the Balance Sheet shows the change in financial position of net assets, the Statement of Revenues, Expenses, and Changes in Net Assets provides answers to the nature and scope of these changes. The above table gives an indication of how the District is being conservatively managed. Total "General Revenues" increased by \$93,146 (6.22%), due primarily to the increase over the prior year in property tax assessments. "Interest on Debt Service" increased by \$150,055 reflecting the first year of interest payments on the \$6,160,000 Revenue Bonds.

The District showed a change in net assets of \$732,704 for the fiscal year ended December 31, 2010, as compared to a change in net assets of \$772,217 for the fiscal year ended December 31, 2009, a decrease of \$39,513.

**Budgetary Highlights**

The District adopts an annual operating budget in accordance with requirements of the provisions of Louisiana Revised Statute 39:1301-15. This budget provides an estimate for the current fiscal year of the proposed expenditures and the revenues that will finance the operations of the District. The operating budget is adopted before the end of the prior fiscal year, and is amended after review of monthly budget-to-actual financial reports. A summary of the approved budget is presented below in a condensed format summarizing major revenue and expenditure categories, and is followed by analysis of significant variations between budget and actual amounts. Although not presented as a part of the basic financial statements, a more detailed schedule is also presented in "Schedule 1 – Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund," as supplementary information, following the footnotes to the financial statements.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Management's Discussion and Analysis (Continued)  
December 31, 2010

**Budget vs. Actual – Fiscal Year Ended December 31, 2010**

	Budget for December 31, 2010	Actual for December 31, 2010	Favorable (Unfavorable) Variance
<b>Revenues:</b>			
Ad Valorem Taxes	\$ 953,735	\$ 1,048,150	\$ 94,415
State Revenue Sharing	81,729	105,044	23,315
Grant Reimbursements	-	-	-
Other Income	8,314	18,117	9,803
Total Revenues	1,043,778	1,171,311	127,533
<b>Expenditures:</b>			
Salaries and Related Benefits	188,000	168,230	19,770
Legal & Professional	21,000	20,901	99
Repairs & Maintenance	125,000	132,958	(7,958)
Telephone & Utilities	34,000	35,584	(1,584)
Supplies	18,050	16,562	1,488
Insurance	25,000	24,404	596
Sheriff's Pension Deduction	35,000	41,930	(6,930)
Other	26,125	35,898	(9,773)
Capital Outlay	4,925,000	3,352,491	1,572,509
Debt Service	4,400	3,944	456
Total Expenditures	5,401,575	3,832,902	1,568,673
<b>Other Financing Sources (Uses)</b>			
Operating Transfers (In) / Out	(275,000)	(274,000)	1,000
Total Other Financing Sources (Uses)	(275,000)	(274,000)	1,000
<b>Income / (Loss)</b>	<b>\$ (4,632,797)</b>	<b>\$ (2,935,591)</b>	<b>\$ 1,697,206</b>

Although the budget for the District was amended at year-end, several variances between the budget and actual occurred. "Ad Valorem Taxes" and "State Revenue Sharing" exceeded budgeted amounts by \$94,415 and \$23,315, respectively. "Capital Outlay" was under budget by \$1,572,509. All other actual revenues and expenditure amounts were essentially in line with budgeted amounts.

The variance between the original budget and the amended budget for "Capital Outlay" was increased from \$445,000 to \$4,925,000. This was due to the capital outlay for the gymnasium project being originally budgeted in the 4-Mil Fund rather than the General Fund.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Management's Discussion and Analysis (Continued)  
December 31, 2010

**Capital Assets**

At December 31, 2010, District had \$7,441,479 (net of accumulated depreciation) recorded in capital assets. This includes land, construction in progress, land improvements, buildings, equipment, and vehicles. The changes in capital assets are presented in the table below.

	December 31, 2010	December 31, 2009	Dollar Change	Percent Change
Land	\$ 1,597,781	\$ 1,597,781	\$ -	0.00%
Construction in Progress	3,312,252	316,030	2,996,222	948.08%
Buildings	764,677	657,156	107,521	16.36%
Land Improvements	2,000,690	1,761,451	239,239	13.58%
Equipment	247,585	238,076	9,509	3.99%
Subtotal	7,922,985	4,570,494	3,352,491	73.35%
Less: Accumulated Depreciation	481,506	382,615	98,891	25.85%
Net Capital Assets	<u>\$ 7,441,479</u>	<u>\$ 4,187,879</u>	<u>\$ 3,253,600</u>	77.69%

**Future Economic Plans**

The District's management approach is conservative. The Board members actively monitor revenues and expenses and evaluate the costs of proposed projects.

## **Basic Financial Statements**

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Statement of Net Assets  
December 31, 2010

Exhibit A

	<u>Governmental Activities</u>
<i>Assets</i>	
Cash and Cash Equivalents	\$ 241,359
Investments	121,928
Accounts Receivable, Net	1,524,832
Prepaid Insurance	3,623
Restricted Assets:	
Cash and Cash Equivalents	1,163
Cash Held in Trust	2,295,525
Capital Assets, Net of Accumulated Depreciation	7,441,479
Bond Issuance Costs, Net	96,432
Total Assets	<u>\$ 11,726,341</u>
<i>Liabilities</i>	
Accounts Payable	\$ 2,985
Accrued Payroll	1,937
Payroll Taxes Payable	3,875
Sheriff's Pension Payable	58,702
Accrued Interest Payable	20,388
Long-Term Debt - Current	339,150
Long-Term Debt - Non-Current	5,660,750
Unamortized Bond Discount	(92,994)
Total Liabilities	<u>\$ 5,994,793</u>
<i>Net Assets</i>	
Invested in Capital Assets, Net of Related Debt	\$ 1,441,579
Restricted For:	
Capital Projects and Debt Service	2,296,688
Unrestricted	1,993,281
Total Net Assets	<u>\$ 5,731,548</u>

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
**Statement of Activities**  
**For the Year Ended December 31, 2010**

Exhibit B

		Program Revenues		Net Revenue (Expense) & Changes in Net Assets
	Expenses	Charges for Services	Capital Grants	Governmental Activities
<b>Governmental Activities:</b>				
Parks and Recreation	\$ 497,189	\$ -	\$ -	\$ (497,189)
Depreciation	98,891	-	-	(98,891)
Amortization of Bond Issuance Costs	7,994	-	-	(7,994)
Interest on Debt Service	253,803	-	-	(253,803)
Total Governmental Activities	\$ 857,877	\$ -	\$ -	(857,877)
 <b>General Revenues:</b>				
Ad Valorem Taxes				1,467,410
State Revenue Sharing				105,044
Grant Reimbursements				-
Other Income				18,127
Transfers - Internal Activities				-
Total General Revenues				1,590,581
Change in Net Assets				732,704
Net Assets - Beginning of the Year				4,998,844
Net Assets - End of the Year				\$ 5,731,548

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
 Governmental Funds Balance Sheet  
 December 31, 2010

Exhibit C

	General Fund	Debt Service Fund	4-Mill Gymnasium Fund	Total
<i>Assets</i>				
Cash and Cash Equivalents	\$ 208,435	\$ -	\$ 32,924	\$ 241,359
Investments	121,928	-	-	121,928
Accounts Receivable, Net	1,108,912	-	415,920	1,524,832
Interfund Receivables	-	-	3,329	3,329
Restricted Assets:				
Cash and Cash Equivalents	-	1,163	-	1,163
Cash Held in Trust	2,295,525	-	-	2,295,525
<b>Total Assets</b>	<b>\$ 3,734,800</b>	<b>\$ 1,163</b>	<b>\$ 452,173</b>	<b>\$ 4,188,136</b>
 <i>Liabilities and Fund Balances</i>				
Liabilities:				
Accounts Payable	\$ 2,985	\$ -	\$ -	\$ 2,985
Accrued Payroll	1,937	-	-	1,937
Interfund Payables	3,329	-	-	3,329
Payroll Taxes Payable	3,875	-	-	3,875
Sheriff's Pension Payable	41,930	-	16,772	58,702
<b>Total Liabilities</b>	<b>54,056</b>	<b>-</b>	<b>16,772</b>	<b>70,828</b>
 Fund Balances:				
Reserved For:				
Debt Service	-	1,163	-	1,163
Unreserved, Designated:				
Gymnasium Project	2,417,453	-	435,401	2,852,854
Unreserved, Undesignated	1,263,291	-	-	1,263,291
<b>Total Fund Balances</b>	<b>3,680,744</b>	<b>1,163</b>	<b>435,401</b>	<b>4,117,308</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,734,800</b>	<b>\$ 1,163</b>	<b>\$ 452,173</b>	<b>\$ 4,188,136</b>

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**

Exhibit D

**Ponchatoula, Louisiana**

**Reconciliation of the Governmental Funds Balance Sheet to the  
Government-Wide Statement of Net Assets  
For the Year Ended December 31, 2010**

**Total Fund Balances, Governmental Funds (Exhibit C)** \$ 4,117,308

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental Capital Assets, Net of Depreciation at December 31, 2010 7,441,479

Prepaid Insurance at December 31, 2010 3,623

Governmental funds report bond issuance costs as expenditures. However, in the statement of net assets, bond issuance costs are amortized over the life of the bond and are reported as amortization expense. This is the amount of unamortized bond issuance costs. 96,432

In the statement of net assets, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditures is reported when due. (20,388)

Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds:

Current (Short-Term) Obligations:

Certificates of Indebtedness (14,150)

Revenue Bonds (325,000)

Non-Current (Long-Term) Obligations:

Certificates of Indebtedness (70,750)

Revenue Bonds (5,590,000)

Unamortized Bond Discount 92,994

**Net Assets of Governmental Activities (Exhibit A)** \$ 5,731,548

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Statement of Governmental Fund Revenues, Expenditures, and  
Changes in Fund Balances  
For the Year Ended December 31, 2010

Exhibit E

	General Fund	Debt Service Fund	4-Mill Gymnasium Fund	Total
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 1,048,150	\$ -	\$ 419,260	\$ 1,467,410
State Revenue Sharing	105,044	-	-	105,044
Other Income	18,117	10	-	18,127
Total Revenues	<u>1,171,311</u>	<u>10</u>	<u>419,260</u>	<u>1,590,581</u>
<b>Expenditures:</b>				
Parks and Recreation:				
Salaries and Related Benefits	168,230	-	-	168,230
Legal & Professional	20,901	-	-	20,901
Repairs & Maintenance	132,958	-	-	132,958
Telephone & Utilities	35,584	-	-	35,584
Supplies	16,562	-	-	16,562
Insurance	24,404	-	-	24,404
Sheriff's Pension Deduction	41,930	-	16,772	58,702
Other	35,898	-	4,200	40,098
Capital Outlay	3,352,491	-	-	3,352,491
Debt Service	3,944	18,657	571,984	594,585
Total Expenditures	<u>3,832,902</u>	<u>18,657</u>	<u>592,956</u>	<u>4,444,515</u>
Excess of Revenues over Expenditures	(2,661,591)	(18,647)	(173,696)	(2,853,934)
<b>Other Financing Sources (Uses):</b>				
Transfers - Internal Activities	(274,000)	19,000	255,000	-
Total Other Financing Sources (Uses)	<u>(274,000)</u>	<u>19,000</u>	<u>255,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(2,935,591)	353	81,304	(2,853,934)
<b>Fund Balance - Beginning of the Year</b>	<u>6,616,335</u>	<u>810</u>	<u>354,097</u>	<u>6,971,242</u>
<b>Fund Balance - End of the Year</b>	<u>\$ 3,680,744</u>	<u>\$ 1,163</u>	<u>\$ 435,401</u>	<u>\$ 4,117,308</u>

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana**

Exhibit F

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and  
Changes in Fund Balance to the Government-Wide Statement of Activities  
For the Year Ended December 31, 2010

**Net Change in Fund Balances, Governmental Funds (Exhibit E)** **\$ (2,853,934)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. These differences consist of:

Capital Outlay	3,352,491
Depreciation Expense	(98,891)

Governmental funds expense insurance payments when paid. In the statement of activities, only the portion applicable to the current year is expensed. The remaining is recorded in the statement of net assets as prepaid insurance.

Prior Year Prepaid Insurance	(3,373)
Current Year Prepaid Insurance	3,623

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. This is the change in accrued interest from the prior year:

Prior Year Accrued Interest	98,178
Current Year Accrued Interest	(20,388)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of Bond Issuance Costs	(3,416)
Amortization of Bond Discount	(4,578)
Repayments of Long-Term Debt	<u>262,992</u>

**Change in Net Assets of Governmental Activities (Exhibit B)** **\$ 732,704**

The accompanying notes are an integral part of this statement.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements  
For the Year Ended December 31, 2010

**Narrative Profile**

The Ponchatoula Area Recreation District No. 1, Ponchatoula, Louisiana, was created by an ordinance of the Tangipahoa Parish Council on April 22, 1996, "as a recreation district to consist of territorial lands and property, both real and personal, in the parish, in accordance with R.S. 33:4562 et seq., and Article 6, Section 19 of the Louisiana Constitution of 1974 and other constitutional and statutory authority supplemental thereto, to be a body corporate in law and a subdivision of the State, known as "Ponchatoula Area Recreation District No. 1 (the "District")."

The District contains within its limits one municipality, the City of Ponchatoula. The governing body of this municipality has given consent to the inclusion of such municipality in the District. The District shall be and is a political subdivision of the State, within the meaning of the constitution and statutes of the State relating to incurring debt and issuing bonds therefore.

The objectives and purposes of the District are to own and operate playgrounds and other facilities and to engage in activities that would promote recreation and any related activity designed to encourage recreation and promote the general health and well-being of youths and all of the goals and purposes as authorized by law. Revenues for the District include property taxes and state revenue sharing. Major expenditures of the District include capital outlay, debt service, maintenance, supplies, and salaries and related benefits.

**1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The accompanying financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999.

**B. Financial Reporting Entity**

All board members of the District are appointed by the Tangipahoa Parish Council. As the governing authority of the parish, for reporting purposes, the Tangipahoa Parish Council is the financial reporting entity for Tangipahoa Parish. The financial reporting entity consists of (a) primary government (parish council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Because the board members of the District are appointed by the Tangipahoa Parish Council, the District was determined to be a component unit of the Tangipahoa Parish Council, the financial reporting entity.

The accompanying financial statements present information only on the funds maintained by the District and do not present information on the parish government, the general governmental services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

**C. Fund Accounting**

The District uses fund accounting to maintain its financial records and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

*Governmental Funds*

Governmental funds account for all of the District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations of the District.

General Fund – the primary operating fund of the District, which accounts for the operations of the District, except those operations required to be handled in a separate fund. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

Debt Service Fund – accounts for the receipt and disbursement of funds required to service the District's outstanding bonded indebtedness.

4-Mill Gymnasium Special Revenue Fund – used to account for the collection of the 4-mil property tax dedicated for the construction of a new gymnasium facility in the District.

**D. Measurement Focus / Basis of Accounting**

*Basic Financial Statements – Government-Wide Financial Statements*

The statement of net assets and the statement of activities display information about the District as a whole. These statements include all the non-fiduciary activities of the District with most of the interfund activities removed. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Interest earnings and other revenues not properly included among program revenues are reported instead as general revenues. The District does not allocate indirect expenses.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2010

*Basic Financial Statements – Governmental Funds*

The amounts reflected in the General Fund, Debt Service Fund, and 4-Mill Gymnasium Special Revenue Fund 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. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of the District's operations.

The amounts reflected in the General Fund, Debt Service Fund, and 4-Mill Gymnasium Special Revenue Fund use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt, which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues – Ad valorem tax revenue, state revenue sharing revenue, and interest revenue are recorded when due. Other revenues are generally recognized when they become measurable and available as net current assets (i.e. when the service is performed). Substantially all other revenues are recorded when received.

Expenditures – Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

Reconciliation - Explanation of differences between the governmental fund balance sheet and the government-wide statement of net assets is presented in Exhibit D of the basic financial statements. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities is presented in Exhibit F of the basic financial statements.

**E. Budgets and Budgetary Accounting**

Budgetary procedures applicable to the District are defined in state law, Louisiana Revised Statutes 39:1301-14. The major requirements of the Local Government Budget Act are summarized as follows:

1. The District adopts a budget each year for the general fund and special revenue funds, if applicable.
2. The Chairman prepares a proposed budget and submits it to the Board of Commissioners for consideration no later than fifteen days prior to the beginning of each fiscal year. At the same time, if total proposed expenditures are \$500,000 or more, a notice of public hearing on the proposed budget must be published in the official journal.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2010

3. All action necessary to adopt and implement the budget must be completed prior to the beginning of the fiscal year. A hearing on the proposed budget was held on December 17, 2009. The budget was adopted on December 17, 2009.
4. Budgetary amendments involving the transfer of funds from one program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board. The budget was amended on December 15, 2010.
5. The budgets are integrated into the accounting system, and the budgetary data, as presented in the financial statements for all funds with annual budgets, compare the expenditures with the amended budgets. All budgets are presented on the modified accrual basis of accounting. Accordingly, the Budgetary Comparison Schedule for the General Fund presents actual expenditures in accordance with the accounting principles generally accepted in the United States of America on a basis consistent with the legally adopted budgets as amended. Unexpended appropriations on annual budgets lapse at the end of each fiscal year.

The General Fund did not report an unfavorable variance in expenditures over appropriations for the fiscal year ended December 31, 2010.

**F. Cash, Cash Equivalents, and Investments**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Under State law, the District may deposit funds in demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. In addition, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Investments for the District are reported at fair market value. The state investment pool (LAMP) operates in accordance with state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

**G. Inventory**

Inventories for supplies are immaterial and are recorded as expenditures / expenses when purchased.

**H. Prepaid Items**

The District recognizes expenditures for insurance and similar services extending over more than one accounting period when paid.

**I. Capital Assets**

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The District maintains a threshold level of \$300 or more for capitalizing assets.

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

Capital assets are recorded in the statement of net assets and statement of activities. Since surplus assets are sold for an immaterial amount when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

Land	N/A
Buildings	40 Years
Land Improvements	20 - 30 Years
Equipment	15 Years

J. Pension Plans

The District is not a member of any retirement system, but is a member of the social security system.

K. Long-Term Obligations

Long-Term Obligations are recorded in the statement of net assets and statement of activities.

L. Compensated Absences

The District has the following policies related to sick and vacation leave:

*Sick Leave*

Full-time employees who have been with the District for one year will be given one-week sick leave. Full-time employees can accrue up to two weeks of sick leave time. When an employee has more than two weeks of sick leave available, they will lose the excess time.

*Vacation Leave*

All full-time employees who have been with the District for one year will be given one week of paid vacation based on their vacation hours earned. All full-time employees who have been with the District for two years or more will be given two weeks of paid vacation based on their vacation hours earned. Full-time employees can accrue vacation time up to three weeks. When an employee has more than three weeks vacation time available, they will lose the excess time.

At the time of termination, full-time employees who have worked less than one year will not receive any paid vacation.

M. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Any designations of fund balance represent tentative management plans that are subject to change.

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

**N. Restricted Net Assets**

For the government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either:

- Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
- Imposed by law through constitutional provisions or enabling legislation.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**O. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make various estimates and assumptions that affect the reported amounts of assets and liabilities, the 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.

**2. Cash, Cash Equivalents, and Investments**

As reflected on Exhibit A, the District has cash totaling \$242,522 (of which \$1,163 is restricted) and investments totaling \$121,928 at December 31, 2010.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal 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 following is a summary of cash and investments (bank balances) at December 31, 2010, with the related federal deposit insurance and pledged securities:

**Bank Balances:**

Insured (FDIC Insurance)	\$ 246,644
Uninsured and Collateralized:	
Collateral held by pledging bank's trust department not in the District's name	-
Uninsured and Uncollateralized	-
Total Deposits	<u>\$ 246,644</u>

Even though the pledged securities are not held in the entity's name, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

At December 31, 2010, the District's investment balances are as follows:

	<u>Reported Amount</u>	<u>Fair Value</u>
Louisiana Asset Management Pool	\$ 121,928	\$ 121,928

Louisiana Asset Management Pool (LAMP) is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA-R.S. 33:2955.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, requires disclosure of credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk for all public entity investments.

LAMP is a 2a7-like investment pool. The following facts are relevant for 2a7 like investment pools:

- Credit Risk: LAMP is rated AAAM by Standard & Poor's.
- Custodial Credit Risk: LAMP participants' investments in the pool are evidenced by shares of the pool. Investments in pools should be disclosed, but not categorized because they are not evidenced by securities that exist in physical or book-entry form. The public entity's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.
- Concentration of Credit Risk: Pooled investments are excluded from the 5% disclosure requirement.
- Interest Rate Risk: 2a7-like investment pools are excluded from this disclosure requirement, per paragraph 15 of the GASB 40 statement.
- Foreign Currency Risk: Not applicable to 2a7-like pools.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

If you have any questions, please feel free to contact the LAMP administrative office at 800-249-5267.

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

**3. Receivables**

Receivables represent revenues earned in 2010 and received in 2011 as follows:

	General Fund	Debt Service Fund	4-Mill Gymnasium Fund	Total
Tangipahoa Parish Sheriff:				
Ad Valorem Taxes	\$ 1,060,108	\$ -	\$ 420,120	\$ 1,480,228
State Revenue Sharing	69,804	-	-	69,804
Less: Allowance for Uncollectibles	<u>(21,000)</u>	-	<u>(4,200)</u>	<u>(25,200)</u>
Accounts Receivable, Net	<u>\$ 1,108,912</u>	<u>\$ -</u>	<u>\$ 415,920</u>	<u>\$ 1,524,832</u>

**4. Capital Assets**

Capital assets and depreciation activity as of and for the year ended December 31, 2010 are as follows:

	Balance 12/31/09	Increases	Decreases	Balance 12/31/10
<b>Capital Assets not Depreciated:</b>				
Land	\$ 1,597,781	\$ -	\$ -	\$ 1,597,781
Construction in Progress	<u>316,030</u>	<u>2,999,827</u>	<u>3,605</u>	<u>3,312,252</u>
Total Capital Assets not Depreciated	1,913,811	2,999,827	3,605	4,910,033
<b>Other Capital Assets:</b>				
Buildings	657,156	107,521	-	764,677
Land Improvements	1,761,451	239,239	-	2,000,690
Equipment	<u>238,076</u>	<u>9,509</u>	-	<u>247,585</u>
Total Other Capital Assets	2,656,683	356,269	-	3,012,952
<b>Less Accumulated Depreciation:</b>				
Buildings	115,911	16,794	-	132,705
Land Improvements	192,728	65,956	-	258,684
Equipment	<u>73,976</u>	<u>16,141</u>	-	<u>90,117</u>
Total Accumulated Depreciation	<u>382,615</u>	<u>98,891</u>	-	<u>481,506</u>
Other Capital Assets, Net	<u>2,274,068</u>	<u>257,378</u>	-	<u>2,531,446</u>
Totals	<u>\$ 4,187,879</u>	<u>\$ 3,257,205</u>	<u>\$ 3,605</u>	<u>\$ 7,441,479</u>

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

**5. Changes in Long-Term Debt**

The following is a summary of debt transactions for the District for the year ended December 31, 2010:

Type of Debt	Balance at 01/01/10	Debt Issued	Debt Retired	Balance at 12/31/10	Amounts Due Within One Year
Capital Lease Obligations	\$ 3,842	\$ -	\$ 3,842	\$ -	\$ -
Certificate of Indebtedness	99,050	-	14,150	84,900	14,150
Revenue Bonds	6,160,000	-	245,000	5,915,000	325,000
	<u>\$ 6,262,892</u>	<u>\$ -</u>	<u>\$ 262,992</u>	<u>\$ 5,999,900</u>	<u>\$ 339,150</u>

Long-term debt at December 31, 2010, is comprised of the following:

*Capital Lease Obligation:*

\$18,371.98 Capital Lease Obligation payable to Kubota Credit Corporation dated 01/01/06; Due in 60 monthly installments of \$361.59; With interest at 6.99% (Payable from a pledge of the excess revenues of the General Fund). The cost of the equipment and accumulated depreciation was \$18,372 and \$6,124.

\$ -

*Certificates of Indebtedness:*

\$141,500 Certificates of Indebtedness dated November 16, 2006; Due in annual installments of \$14,150 through November 1, 2016; With interest at 4.55% (Payable from a pledge of the excess revenues of the General Fund)

\$ 84,900

*Revenue Bonds:*

\$6,160,000 Revenue Bonds (Ponchatoula Area Recreation District No. 1 Project), Series 2009 dated August 11, 2009; Due in annual installments of \$105,000 - \$365,000 through March 15, 2039; With interest at variable rates.

\$ 5,915,000

Payments of Revenue Bond principal and interest are secured primarily by a pledge and dedication of the proceeds of the ten (10.00) mills, ten (10) year property tax approved by voters in the District on July 16, 2005, and the four (4.00) mills, thirty (30) year property tax approved by the voters in the District on November 4, 2008.

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

The annual requirements to amortize all debt outstanding at December 31, 2010, including interest payments of \$4,176,879 are as follows:

Year Ended December 31,	\$18,372 Capital Lease	\$141,500 COI	\$6,160,000 Revenue Bonds	Total
2011	\$ -	\$ 18,050	\$ 569,182	\$ 587,232
2012	-	17,400	572,582	589,982
2013	-	16,750	574,057	590,807
2014	-	16,100	573,557	589,657
2015	-	15,450	572,758	588,208
2016 - 2020	-	14,800	1,520,415	1,535,215
2021 - 2025	-	-	1,508,309	1,508,309
2026 - 2030	-	-	1,505,128	1,505,128
2031 - 2035	-	-	1,489,713	1,489,713
2036 - 2039	-	-	1,192,528	1,192,528
	-	98,550	10,078,229	10,176,779
Less: Interest Portion	-	13,650	4,163,229	4,176,879
	<u>\$ -</u>	<u>\$ 84,900</u>	<u>\$ 5,915,000</u>	<u>\$ 5,999,900</u>

**6. Reserved and Designated Fund Balances**

The District records reserves and dedications to indicate that a portion of the fund equity is legally segregated for a specific future use. The following details reserves and dedications as of December 31, 2010.

General Fund - Designated for Gymnasium	\$ 2,417,453
4-Mill Fund - Designated for Gymnasium	435,401
Debt Service Fund - Reserved for Debt Service	<u>1,163</u>
	<u>\$ 2,854,017</u>

**7. Levied Taxes**

The following is a summary of authorized and levied ad valorem taxes:

General Fund	10.00 Mills
4-Mill Gymnasium Fund	4.00 Mills

Ad valorem taxes attach as an enforceable lien on property on January 1 each year. Taxes are levied by the District during the year, are billed to taxpayers, and become due in November. Billed taxes become delinquent on December 31. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when billed. The Tangipahoa Parish Sheriff's Office bills and collects the property taxes using the assessed value determined by the Tax Assessor of Tangipahoa Parish. The taxes are generally collected in

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
Notes to Financial Statements (Continued)  
For the Year Ended December 31, 2010

December of the current year and January and February of the ensuing year. For 2010, the District levied 14.00 mills for a total tax levy of \$1,467,409 on taxable property valuation totaling \$104,814,973.

**8. Dedication of Proceeds and Flow of Funds – Ad Valorem Tax**

Proceeds of the 10 year special tax of 10 mills on the dollar of assessed valuation on all property subject to taxation in the District (2010 collections \$1,048,150) are dedicated for the purpose of acquiring, constructing, improving, maintaining, and / or operating recreational facilities and activities in and for the District.

The District, through its governing authority, adopted a resolution on November 15, 2006 authorizing the issuance of \$145,000 of Certificates of Indebtedness, Series 2006, for the purpose of acquiring land for expanding existing facilities in the District for recreation purposes. In that resolution, the excess revenues of the District were pledged for payment of the certificates authorized and interest as they become due.

Proceeds of the 30 year special tax of 4 mills on the dollar of assessed valuation on all property subject to taxation in the District (2010 collections \$419,260) are dedicated for the purpose of providing funds to acquire, improve, and equip a multipurpose gymnasium facility and other recreation facilities within the District; to pay the operation and maintenance costs and expenses in connection therewith; and to authorize the funding of the proceeds of said tax into bonds.

The District, through its governing authority, adopted a resolution on July 28, 2009, authorizing the issuance of \$6,160,000 of Revenue Bonds (Ponchatoula Area Recreation District No. 1 Project), Series 2009, for the purpose of acquiring, designing, constructing, and equipping a multipurpose gymnasium facility and other recreational facilities within the District. In that resolution, the proceeds of the ten (10.00) mills, ten (10) year property tax and the four (4.00) mills, thirty (30) year property tax were pledged and dedicated in an amount sufficient for payment of the bonds authorized and interest as they become due and for other purposes.

After funds have been set aside out of the revenues of the taxes for each tax roll year sufficient to pay the principal and interest on the bonds for the ensuing calendar year, then any excess of annual revenues of the taxes remaining for that tax roll year shall be free for expenditure by the District for the purposes for which the taxes were authorized by the voters.

As of December 31, 2010, the District was in compliance with the bond covenants.

**Ponchatoula Area Recreation District No. 1**

**Ponchatoula, Louisiana**

Notes to Financial Statements (Continued)

For the Year Ended December 31, 2010

**9. Interfund Transfers**

	<u>Transfers In From</u>	<u>Transfers Out To</u>
General Fund:		
Debt Service Fund	\$ -	\$ 19,000
4-Mil Fund	-	255,000
Total General Fund	<u>-</u>	<u>274,000</u>
Debt Service Fund:		
General Fund	<u>19,000</u>	-
Total Debt Service Fund	<u>19,000</u>	-
4-Mill Fund:		
General Fund	<u>255,000</u>	-
Total 4-Mill Fund	<u>\$ 255,000</u>	<u>\$ -</u>

Transfers are made from the General Fund to the Debt Service Fund to pay the debt service payments on the Certificates of Indebtedness and to the 4-Mill Fund to pay the debt service payments on the \$6,160,000 Revenue Bonds.

**10. Operating Lease**

The District is renting a house for \$400 per month on a month-to-month basis. At December 31, 2010, \$4,800 was recorded as rental income.

**11. Litigation**

On September 25, 2010, an individual attending a public event at the District was injured. The matter was initially turned over to the District's insurance company; however, in March 2011, the District received a citation from the 21<sup>st</sup> Judicial District Court in Tangipahoa Parish for petition for damages. As of the date of this report, the case is still in the investigative stage and it is not possible to tell what liability, if any, the District may have for the potential loss from such claim. Therefore, no accrual for any loss contingency has been made in the financial statements.

**12. Subsequent Event**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, June 9, 2011, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Required Supplemental Information (Part II)**

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
 Budgetary Comparison Schedule – General Fund  
 For the Year Ended December 31, 2010

Schedule 1

	Original Budget	Final Budget	Actual Amounts Budgetary Basis	Variance with Final Budget Favorable / (Unfavorable)
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 953,735	\$ 953,735	\$ 1,048,150	\$ 94,415
State Revenue Sharing	81,729	81,729	105,044	23,315
Grant Reimbursements	-	-	-	-
Other Income	8,314	8,314	18,117	9,803
Total Revenues	1,043,778	1,043,778	1,171,311	127,533
<b>Expenditures:</b>				
Parks and Recreation:				
Salaries and Related Benefits	188,000	188,000	168,230	19,770
Legal & Professional	10,000	21,000	20,901	99
Repairs & Maintenance	88,000	125,000	132,958	(7,958)
Telephone & Utilities	32,000	34,000	35,584	(1,584)
Supplies	18,050	18,050	16,562	1,488
Insurance	25,000	25,000	24,404	596
Sheriff's Pension Deduction	35,000	35,000	41,930	(6,930)
Other	6,600	26,125	35,898	(9,773)
Capital Outlay	445,000	4,925,000	3,352,491	1,572,509
Debt Service	5,125	4,400	3,944	456
Total Expenditures	852,775	5,401,575	3,832,902	1,568,673
Excess of Revenues over Expenditures	191,003	(4,357,797)	(2,661,591)	1,696,206
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out)	(211,000)	(275,000)	(274,000)	1,000
Total Other Financing Sources (Uses)	(211,000)	(275,000)	(274,000)	1,000
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(19,997)	(4,632,797)	(2,935,591)	1,697,206
<b>Fund Balance - Beginning of the Year</b>	-	-	6,616,335	6,616,335
<b>Fund Balance - End of the Year</b>	\$ (19,997)	\$ (4,632,797)	\$ 3,680,744	\$ 8,313,541

See auditor's report.

**Ponchatoula Area Recreation District No. 1**  
**Ponchatoula, Louisiana**  
 Budgetary Comparison Schedule – 4-Mill Gymnasium Fund  
 For the Year Ended December 31, 2010

Schedule 2

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Favorable / (Unfavorable)</u>
<b>Revenues:</b>				
Ad Valorem Taxes	\$ 381,500	\$ 381,500	\$ 419,260	\$ 37,760
Total Revenues	381,500	381,500	419,260	37,760
<b>Expenditures:</b>				
Parks and Recreation:				
Sheriff's Pension Deduction	-	40,000	16,772	23,228
Other	-	-	4,200	(4,200)
Capital Outlay	5,000,000	-	-	-
Debt Service	381,500	571,984	571,984	-
Total Expenditures	<u>5,381,500</u>	<u>611,984</u>	<u>592,956</u>	<u>19,028</u>
Excess of Revenues over Expenditures	(5,000,000)	(230,484)	(173,696)	56,788
<b>Other Financing Sources (Uses):</b>				
Operating Transfers In (Out)	-	255,000	255,000	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>255,000</u>	<u>255,000</u>	<u>-</u>
Excess (Deficiency) of Revenues and Other Sources over Expenditures and Other Uses	(5,000,000)	24,516	81,304	56,788
<b>Fund Balance - Beginning of the Year</b>	-	-	354,097	354,097
<b>Fund Balance - End of the Year</b>	<u>\$ (5,000,000)</u>	<u>\$ 24,516</u>	<u>\$ 435,401</u>	<u>\$ 410,885</u>

See auditor's report.

## **Other Supplemental Information**

**Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana**

Schedule 3

Schedule of Compensation Paid to the Chairman and Board of Commissioners  
For the Year Ended December 31, 2010

<u>Name and Address</u>	<u>Position</u>	<u>Salary</u>	<u>Term Expires</u>
Dr. William Wheat, Jr. 40316 Happywoods Road Hammond, LA 70403	Chairman / Commissioner	\$ -	April 2013
Linda Byers 39693 Howes Lane Ponchatoula, LA 70454	Commissioner	-	April 2012
Daniel Dufreche P.O. Box 635 Ponchatoula, LA 70454	Commissioner	-	June 2015
Eldrid P. Palmer, Jr. 18287 Sharon Drive Ponchatoula, LA 70454	Commissioner	-	April 2014
Ronald Rocquin 11533 Spring Creek Drive Hammond, LA 70403	Commissioner	-	April 2011
		<u>\$ -</u>	

See auditor's report

**Other Independent Auditor's Reports and  
Findings, Recommendations, and Responses**

**Report on Internal Control over Financial Reporting and on Compliance  
and other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

MEMBER  
American Institute of  
Certified Public  
Accountants

**Phil Hebert, CPA**  
A PROFESSIONAL ACCOUNTING CORPORATION  
Post Office Box 1151 • Ponchatoula, Louisiana 70454  
Office: (985) 386-5740 • Fax (985) 386-5742

MEMBER  
Society of Louisiana  
Certified Public  
Accountants

Report on Internal Control over Financial Reporting and on Compliance and other  
Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Dr. Bill Wheat, Jr., Chairman  
and Members of the Board of Commissioners  
Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana

I have audited the financial statements of the governmental-type activities of the Ponchatoula Area Recreation District No. 1, Ponchatoula, Louisiana, as of and for the year ended December 31, 2010, which comprise the District's basic financial statements, and have issued my report thereon dated June 9, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing my audit, I considered the Ponchatoula Area Recreation District No. 1's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Ponchatoula Area Recreation District No. 1's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ponchatoula Area Recreation District No. 1's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Tangipahoa Parish Council and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

*Phil Hebert*

Phil Hebert, CPA  
A Professional Accounting Corporation  
June 9, 2011

**Schedule of Prior Year Audit Findings  
And  
Schedule of Current Year Audit Findings**

**Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2010**

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

**2009-1 Failure to Properly Amend the Budget**

**Condition:**

For the year ended December 31, 2009, actual expenditures and other uses of the District totaled \$2,030,597 while budgeted expenditures and other uses totaled \$1,542,556. The difference of \$488,041 is greater than the budgeted total by 31.6%.

**Recommendation:**

The amended budget is often prepared in November and adopted in December. Sometimes large expenditures occurring in December are not properly accounted for in the amended budget. There may be other expenditures such as debt issuance cost that are recorded by the District's CPA as part of the year end closeout. I recommend the District continue review the budget to actual financial statements on a monthly basis and amend the budget in an open meeting as necessary. In addition, management should consult with the District's CPA on the preparation of the budget.

Resolved

**2009-2 Failure to Adopt a Budget for Special Revenue Fund**

**Condition:**

The District did not prepare a budget for the 4 mill special revenue fund.

**Recommendation:**

I recommend the District prepare a budget for the general fund and each special revenue fund.

Resolved.

**2009-3 Budget Message**

**Condition:**

The District did not prepare a budget message when adopting the budget.

**Recommendation:**

I recommend the District prepare a budget message when adopting their budget.

Resolved.

Continued.

**Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana**

**Schedule of Prior Year Audit Findings  
For the Year Ended December 31, 2010**

**Section II Internal Control and Compliance Material to Federal Awards**

No Findings for Section II.

**Section III Management Letter**

No Findings for Section III.

Concluded.

This schedule has been prepared by management.

**Ponchatoula Area Recreation District No. 1  
Ponchatoula, Louisiana**

**Schedule of Current Year Audit Findings  
For the Year Ended December 31, 2010**

I have audited the basic financial statements of the Ponchatoula Area Recreation District No. 1 as of and for the year ended December 31, 2010, and have issued my report thereon dated June 9, 2011. I conducted my 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. My audit of the financial statements as of December 31, 2010 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 Weakness, No Significant Deficiencies, No

Compliance

Compliance Material to Financial Statements, No

b. Federal Awards

Not applicable

Was a management letter issued? No

**Section II - Financial Statement Findings**

No Section II Findings

**Section III - Federal Award Findings and Questioned Costs**

No Section III Findings