

*Financial Report*

*Terrebonne Parish Recreation District No. 3*

*Houma, Louisiana*

*December 31, 2001*

# TABLE OF CONTENTS

## Terrebonne Parish Recreation District No. 3

December 31, 2001

	<u>Exhibits</u>	<u>Page Number</u>
<b>Introductory Section</b>		
Title Page		i
Table of Contents		ii
<b>Financial Section</b>		
Independent Auditor's Report		1
Combined Balance Sheet - Governmental Fund Type and Account Group	A	2
Statement of Revenues, Expenditures and Changes in Fund Balance (Deficit) - Budget and Actual - Governmental Fund Type - General Fund	B	3
Notes to Financial Statements	D	4 - 12
<b>Special Reports of Certified Public Accountants</b>		
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of General-Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		13 - 14
Schedule of Findings		15 - 24
<b>Reports By Management</b>		
Schedule of Prior Year Findings		25
Management's Corrective Action Plan		26 - 29

**FINANCIAL SECTION**



Bourgeois Bennett

**INDEPENDENT AUDITOR'S REPORT**

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

We were engaged to audit the accompanying general-purpose financial statements of Terrebonne Parish Recreation District No. 3 (the District), a component unit of the Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2001, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management.

Detailed concession stand cash receipt and disbursement records have not been maintained and data supporting those activities were not available for our examination, nor were we able to satisfy ourselves as to those activities by other auditing procedures. Inventory related to those activities is not reported in the balance sheet as of December 31, 2001. Charges for services revenues and supplies and materials expenditures related to those activities are reported as \$16,799 and \$19,875, respectively, in the statement of revenues, expenditures and changes in fund balance (deficit) for the year ended December 31, 2001.

Since we did not audit those activities discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these general-purpose financial statements.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, La.,  
August 30, 2002 except for Note 13,  
as to which the date is September 18, 2002.

**COMBINED BALANCE SHEET -**  
**GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP**

**Terrebonne Parish Recreation District No. 3**

December 31, 2001

	<u>Governmental Fund Type</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
	<u>General</u>		
<b>Assets</b>			
Cash	\$ 190	\$ -	\$ 190
Receivables - taxes	18,729	-	18,729
Due from other governmental units	50,666	-	50,666
Deposit	70	-	70
Fixed assets	-	399,039	399,039
	<u>        </u>	<u>        </u>	<u>        </u>
Total assets	<u>\$ 69,655</u>	<u>\$ 399,039</u>	<u>\$ 468,694</u>
<b>Liabilities</b>			
Accounts payable and accrued expenditures	\$ 3,412		\$ 3,412
Due to Terrebonne Parish Consolidated Government	6,155		6,155
Deferred revenue	69,395		69,395
	<u>        </u>		<u>        </u>
Total liabilities	<u>78,962</u>		<u>78,962</u>
<b>Deficiency and Other Credits</b>			
Investment in general fixed assets	-	\$ 399,039	399,039
Fund balance (deficit)	(9,307)	-	(9,307)
	<u>        </u>	<u>        </u>	<u>        </u>
Total deficiency and other credits	<u>(9,307)</u>	<u>399,039</u>	<u>389,732</u>
	<u>        </u>	<u>        </u>	<u>        </u>
Total liabilities, deficiency and other credits	<u>\$ 69,655</u>	<u>\$ 399,039</u>	<u>\$ 468,694</u>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE (DEFICIT) - BUDGET AND ACTUAL -**  
**GOVERNMENTAL FUND TYPE - GENERAL FUND**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes	\$ 55,000	\$ 66,242	\$ 11,242
Intergovernmental:			
State of Louisiana:			
State revenue sharing	8,400	5,389	(3,011)
Charges for services	-	16,799	16,799
Miscellaneous- interest	530	384	(146)
	<u>63,930</u>	<u>88,814</u>	<u>24,884</u>
Total revenues			
<b>Expenditures</b>			
Current:			
General Government:			
Ad valorem tax adjustment	1,200	1,162	38
Ad valorem tax deductions	1,500	2,821	(1,321)
	<u>2,700</u>	<u>3,983</u>	<u>(1,283)</u>
Total general government			
Culture and Recreation:			
Personal services	25,600	21,942	3,658
Supplies and materials	3,600	19,875	(16,275)
Other services and charges	12,350	20,802	(8,452)
Repairs and maintenance	5,000	7,012	(2,012)
Capital expenditures	10,000	7,365	2,635
	<u>56,550</u>	<u>76,996</u>	<u>(20,446)</u>
Total culture and recreation			
Total expenditures	<u>59,250</u>	<u>80,979</u>	<u>(21,729)</u>
<b>Excess of Revenues Over Expenditures</b>	4,680	7,835	3,155
<b>Fund Balance (Deficit)</b>			
Beginning of year	<u>(17,142)</u>	<u>(17,142)</u>	<u>-</u>
End of year	<u>\$ (12,462)</u>	<u>\$ (9,307)</u>	<u>\$ 3,155</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Terrebonne Parish Recreation District No. 3**

December 31, 2001

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Terrebonne Parish Recreation District No. 3 (the District) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

**a) Reporting Entity**

The District is a component unit of Terrebonne Parish Consolidated Government. The District has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

**b) Fund Accounting**

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Fund Accounting (Continued)

**Governmental Funds**

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

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

**Account Group**

An account group is used to establish accounting control and accountability. The District's Account Group is as follows:

**General Fixed Assets Accounts Group** - This account group is used to account for fixed assets not accounted for in proprietary or trust funds.

c) Basis of Accounting

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

All Governmental Funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Ad valorem taxes and the related state revenue sharing (Intergovernmental revenues) are recognized as revenue in the period for which levied, thus the 2001 property taxes which are being levied to finance the 2002 budget will be recognized as revenue in 2002. The 2001 tax levy is recorded as deferred revenue in the District's 2001 financial statements. Miscellaneous revenues are recorded as revenues when received in cash by the District or an intermediary collecting agency because they are generally not measurable until actually received.

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

**c) Basis of Accounting (Continued)**

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

**d) Use of Estimates**

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

**e) Operating Budgetary Data**

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

The General Fund budget is adopted on a basis materially consistent with GAAP.

**f) Accounts Receivable**

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

**h) Fixed Assets**

Fixed assets used in governmental fund type operations (fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The Account Group is not a fund. It is concerned only with the measurement of financial position. It is not involved with the measurement of results of operations.

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

**h) Fixed Assets (Continued)**

Public domain ("infrastructure") fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, are not capitalized along with other fixed assets. No depreciation has been provided on fixed assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

**i) Vacation and Sick Leave**

The District has one full-time employee. There is no material accumulated unpaid vacation at December 31, 2001. Salaries and related employee benefits are paid by the Parish and subsequently reimbursed by the District. All salaries and related employee benefit transactions are reflected as personal services.

**j) Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in the fund general ledgers, is not utilized by the District.

**k) Memorandum Only - Total Column**

The total column on the general-purpose financial statements is captioned "Memorandum Only" because it does not represent consolidated financial information and is presented only to facilitate financial analysis. The column does not present information that reflects financial position or results of operations in accordance with accounting principles generally accepted in the United States of America. Interfund eliminations have not been made in the aggregation of this data.

**Note 3 - DEPOSITS**

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

**Note 3 - DEPOSITS (Continued)**

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

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

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

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

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

The year end bank balances of deposits and the carrying amounts as shown on the combined balance sheet are as follows:

	Bank Balances			Book Balance
	Category			
	1	2	3	
Cash	<u>\$190</u>	<u>\$-</u>	<u>\$-</u>	<u>\$190</u>

At December 31, 2001, cash was not in excess of the FDIC insurance.

**Note 4 - PROPERTY TAXES**

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise and movable property located in the Parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list of January 1, 2000. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can

**Note 4 - PROPERTY TAXES (Continued)**

be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 2001 was \$5.67 per \$1,000 of assessed valuation on property within Recreation District No. 3 for the purpose of maintaining, constructing and operating recreational facilities within the District. As indicated in Note 1c, taxes levied November 1, 2001 are for budgeted expenditures in 2002 and will be recognized as revenues in 2002.

**Note 5 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units at December 31, 2001 consisted of the following:

State of Louisiana - State revenue sharing	\$ 3,360
Terrebonne Parish Tax Collector - December, 2001 State revenue sharing distribution remitted to the District in January, 2002	1,680
Terrebonne Parish Tax Collector - December, 2001 Ad valorem taxes remitted to the District in January, 2002	<u>45,626</u>
Total	<u>\$50,666</u>

**Note 6 - CHANGES IN FIXED ASSETS**

A summary of changes in fixed assets follows:

	Balance January <u>1, 2001</u>	Addit- tions	Balance December <u>31, 2001</u>
Land and buildings	\$163,487	\$ -	\$163,487
Improvements - other than buildings	110,749	36,235	146,984
Machinery and equipment	<u>87,473</u>	<u>1,095</u>	<u>88,568</u>
Totals	<u>\$361,709</u>	<u>\$37,330</u>	<u>\$399,039</u>

**Note 6 - CHANGES IN FIXED ASSETS (Continued)**

Additions include \$29,965 of capital expenditures incurred by the Parish for playground equipment and a walking track. Maintenance and up keep of those assets is the responsibility of the District.

**Note 7 - DUE TO TERREBONNE PARISH CONSOLIDATED GOVERNMENT**

Amounts due to Terrebonne Parish Consolidated Government (the Parish) at December 31, 2001 consisted of the following:

Insurance	\$ 293
Salary reimbursement	<u>5,862</u>
Total	<u>\$6,155</u>

During the year, the District had an interest free loan with the Parish that was the subject of an intergovernmental agreement. The loan was used for current operations of the District and to pay the general operating expenses. The District made final payment of \$2,500 in 2001 that paid the loan in full.

**Note 8 - DEFINED BENEFIT PENSION PLAN**

**Plan Description** - The District contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan.

The System is governed by Louisiana Revised Statutes 11:1901 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898.

**Funding Policy** - Plan members are required to contribute 2% of their annual covered salary less \$100 per month and the District is required to contribute at an actuarially determined rate. The current rate is 2.75% of annual payroll. In addition, the System also receives a percentage of tax revenues from various taxing bodies. The contribution requirements of plan members and the District are established and may be amended by

**Note 8 - DEFINED BENEFIT PENSION PLAN (Continued)**

state statute. The District's contributions to the System for the years ending December 31, 2001, 2000 and 1999 were \$450, \$397 and \$385, respectively, equal to the required contributions for each year.

**Note 9 - RISK MANAGEMENT**

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

<u>Policy</u>	<u>Coverage Limits</u>
General Liability	\$6,500,000
Workers' Compensation	Statutory
Auto Liability	\$6,250,000

Coverage for general liability, workers' compensation and auto claims in excess of the above stated limits are to be funded first by assets of the Parish's risk management internal service fund, \$2,999,892 at December 31, 2001, then secondly by the District. The Parish is self-insured for the first \$125,000 of each claim relating to group health insurance. The aggregate deductible for all group claims relating to group insurance for 2001 was \$8,622,026. Insurance contracts cover the excess liability, up to \$1,000,000 on individual claims. Each covered employee is subject to a lifetime maximum claims limit of \$1,000,000. Coverage for group health claim liabilities are to be funded first by assets of the Parish's group health internal service fund, \$291,053 at December 31, 2001, then secondly by the District or the employee for individual claims in excess of \$1,000,000. At December 31, 2001, the District had no claims in excess of the above coverage limits. Total premiums paid to the Parish for above insurance for the year ended December 31, 2001 amounted to \$6,175.

**Note 10 - LEASES**

The District leases an acreage tract under an operating lease. The option to renew is made each year. Rental expenditures for the lease amounted to \$1,000 for the year ended December 31, 2001.

**Note 11 - FUND BALANCE (DEFICIT)**

A \$9,307 deficit in undesignated fund balance exists in the general fund. The deficit results from substantial capital expenditures in prior years and is expected to be eliminated through subsequent year's operations.

**Note 12 - COMPENSATION OF BOARD MEMBERS**

No compensation was paid to Board Members during the year ended December 31, 2001.

**Note 13 - SUSEQUENT EVENT**

On September 18, 2002, the District's longtime chairwoman was arrested by the Houma Police Department and charged with one count of theft over \$500. The chairwoman was released from jail later the same day after posting a \$15,000 bond.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**



Bourgeois Bennett

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

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

We were engaged to audit the general-purpose financial statements of Terrebonne Parish Recreation District No. 3 (the District), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2001, and have issued our report thereon dated August 30, 2002, except for Note 13, as to which the date is September 18, 2002.. We did not express an opinion on the general-purpose financial statements because we were unable to audit the District's concession stand inventory, revenues and expenditures. Since we did not audit those activities, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general-purpose financial statements.

### Compliance

As part of obtaining reasonable assurance about whether the District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the Schedule of Findings as Items 01-1 through 01-06.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control

over financial reporting and its operations 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 the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. The reportable conditions are described in the Schedule of Findings as Items 01-1 and 01-7 through 01-13.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions 01-1 and 01-7 through 01-13, to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Bougeois Bennett, L.L.C.*  
Certified Public Accountants.

Houma, La.,  
August 30, 2002.

## SCHEDULE OF FINDINGS

### Terrebonne Parish Recreation District No. 3

For the year ended December 31, 2001

#### Section I Summary of Auditor's Results

##### a) Financial Statements

Type of auditor's report issued: disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?                      X   yes                    \_\_\_\_\_ no
- Reportable condition(s) identified that are not  
  considered to be material weaknesses?                      X   yes                    \_\_\_\_\_ none reported
- Noncompliance material to financial statements noted?                      X   yes                    \_\_\_\_\_ no

##### b) Federal Awards

Terrebonne Parish Recreation District No. 3 did not receive federal awards during the year ended December 31, 2001

#### Section II Financial Statement Findings

##### Internal Control/Compliance

01-1    **Criteria** - The Louisiana Governmental Audit Guide requires "every transaction to be traceable to supporting documentation".

**Condition** - Several invoices were missing for expenditures from the operating and concession checking accounts and in some instances had to be secured from vendors during a reconstruction of the general ledger.

**Questioned costs** - Not Determined

**Context** - Systematic problem within the area of document retention.

**Effect** - Expenditures are not supported by proper transaction documentation.

**Cause** - Lack of minimum transaction documentation standards and an organized expenditure filing system to maintain the documentation.

## SCHEDULE OF FINDINGS

(Continued)

### Terrebonne Parish Recreation District No. 3

For the year ended December 31, 2001

#### Section II Financial Statement Findings (Continued)

##### Internal Control/Compliance (Continued)

01-1 (Continued)

**Recommendation** - We recommend that controls be in place to assure that an expenditure voucher package can support the authorization, purpose, price and receipt of all goods and services purchased. The system should allow for easy access to documentation.

01-2 **Criteria** - The state constitution and various opinions of the state's Attorney General prohibit the payment of bonuses to employees.

**Condition** - In November 2001 the District paid a Christmas bonus to an employee.

**Questioned costs** - \$400

**Context** - Systematic problem that involves the District stewardship responsibilities to remain in compliance with Federal, state and local laws and regulations.

**Effect** - The District violated state law regarding payment to employees.

**Cause** - Lack of controls over purchases and check signing.

**Recommendation** - Employees should only be paid for time worked as documented by signed time and attendance records.

01-3 **Criteria** - Internal Revenue Service regulations require the distribution and filing of Federal form 1099 to all unincorporated service providers receiving \$600.00 or more. Also, state and local government require the reporting of sales and the assessment of sales tax on a monthly basis.

**Condition** - During our audit we did not note any form 1099 or the summary form 1098 were distributed to vendors. Furthermore we noted a sales tax report was prepared for only one month during the year ended 2001.

**SCHEDULE OF FINDINGS**

**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section II Financial Statement Findings (Continued)**

Internal Control/Compliance (Continued)

01-3 (Continued)

**Questioned costs - Not Determined**

**Context** - Systematic problem that involves the District stewardship responsibilities to remain in compliance with Federal, state and local laws and regulations.

**Effect** - The District may be subjected to failure to file penalties and interest.

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

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

01-4 **Criteria** - Louisiana Revised Statutes prohibit board members from being financially interested, directly or indirectly in the furnishing of services to the District.

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

**Questioned costs - \$107**

**Context** - Systematic problem that involves the District stewardship responsibilities to remain in compliance with Federal, state and local laws and regulations.

**Effect** - The board members have violated state ethics laws and subjected themselves to removal from the board.

**Cause** - The individual board member was unaware that even charges of small amounts were violations.

**SCHEDULE OF FINDINGS**  
**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section II Financial Statement Findings (Continued)**

Internal Control/Compliance (Continued)

01-4 (Continued)

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

01-5 **Criteria** - State law requires the District's audit to be completed within six months of the close of the fiscal year.

**Condition** - The District did not submit its audited December 31, 2001 financial statements timely.

**Questioned costs** - Not Applicable

**Context** - Systematic problem that involves the District stewardship responsibilities to remain in compliance with Federal, state and local laws and regulations.

**Effect** - The District has not complied with state and local audit laws.

**Cause** - The District did not submit its accounting records for audit of its December 31, 2001 financial statements timely. The accounting staff from the Terrebonne Parish Consolidated Government was required to reconstruct an accounting of all transactions for the period from January 1, 2001 through August 31, 2002. Audit fieldwork concluded August 30, 2002.

**Recommendation** - We suggest the District maintain its accounting records daily and summarize transactions and report to the Board monthly. Such a policy should permit the audit to begin a month after year end.

## **SCHEDULE OF FINDINGS**

**(Continued)**

### **Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

#### **Section II Financial Statement Findings (Continued)**

##### **Internal Control/Compliance (Continued)**

01-6 **Criteria** - LRS 39:1304-1314 sets forth budget adoption procedures and requires budget amendment for actual expenditures exceeding 5% or more of budget expenditures.

**Condition** - The District did not comply with state law in adopting and amending its budgets for the year ended December 31, 2001 and the year ending December 31, 2002.

**Questioned costs** - Not Applicable

**Context** - Systematic problem that involves the District stewardship responsibilities to remain in compliance with Federal, state and local laws and regulations.

**Effect** - The District has not complied with state and local budget laws.

**Cause** - The District's minutes reflect the adoption of the annual budget without a budget message attached. During the year, the board did not receive a periodic comparison budget versus actual expenditures.

**Recommendation** - We suggest the District review and follow the applicable state budget laws for monitoring the budget for the year ending December 31, 2002 and adopt future budgets in accordance with those laws.

01-7 **Criteria** - The Louisiana Governmental Audit Guide requires "every transaction to be traceable to supporting documentation".

**Condition** - The District paid for bookkeeping services twice in the month of August. This was the month of a change in service providers, however the records did not contain an explanation of the payments.

**Questioned costs** - \$200

**Context** - Systematic problem within the area of transaction documentation.

## SCHEDULE OF FINDINGS

(Continued)

### Terrebonne Parish Recreation District No. 3

For the year ended December 31, 2001

#### Section II Financial Statement Findings (Continued)

##### Internal Control/Compliance (Continued)

01-7 (Continued)

**Effect** - The District may have overpaid for bookkeeping services during August 2001.

**Cause** - Payments for services were made prior to verifying services were performed.

**Recommendation** - We suggest explanatory notes be added to the files to explain unusual service payments.

01-8 **Criteria** - In order to provide protection of public funds an accounting system of checks and balances must exist to protect public funds from misuse.

**Condition** - The authorized purchasers and check signers consist of the Board Chairperson and its bookkeeper.

**Questioned costs** - Not Applicable

**Context** - Systematic problem exists with conflicting duties of the bookkeeper.

**Effect** - Misuse of public funds may go undetected.

**Cause** - Bookkeeper matches purchasing and receiving information, performs all accounting functions and signs the paying checks.

**Recommendation** - We recommend the removal of the bookkeeper from all purchasing and check signing duties and the insertion of a second Board member as an approved check signer. Checks should only be signed after review of the expenditure package.

01-9 **Criteria** - The accounting system should be supported by documents that provide a consistent uniform approach to accumulating data which will ensure completeness.

**SCHEDULE OF FINDINGS**

**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section II Financial Statement Findings (Continued)**

**Internal Control/Compliance (Continued)**

01-9 (Continued)

**Condition** - A series of 480 blank checks, check numbers 2521 through 3000, are unaccounted for.

**Questioned costs** - Not Applicable

**Context** - Systematic problem that involves the District stewardship responsibilities to keep public funds from misuse.

**Effect** - The missing checks represent opportunities to draw unauthorized funds from the District's bank account.

**Cause** - Lack of a safeguarding blank checks.

**Recommendation** - Issue a "stop payment" order on the missing checks and put all unused checks under lock and key.

01-10 **Criteria** - The accounting system should be an accurate reflection of the fiscal condition, and results of operations of the government to provide a basis for monetary decisions and control.

**Condition** - During the year we noted that bank statements and reconciliations to the checkbooks of the operating and concession accounts were missing.

**Questioned costs** - Not Applicable

**Context** - Systematic problem that involves the District stewardship responsibilities to keep public funds from misuse.

**Effect** - Without monthly reconciliations of bank account balances the District will not detect unauthorized uses of funds on a timely basis.

**SCHEDULE OF FINDINGS**

**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section II Financial Statement Findings (Continued)**

**Internal Control/Compliance (Continued)**

01-10 (Continued)

**Cause** - There are no monthly closing procedures designed to detect errors and misuse of District funds.

**Recommendation** - The District should adopt policies that result in daily accounting for transactions, monthly summarizations and reconciliations to outside sources and produce monthly financial statements for distribution to the Board.

01-11 **Criteria** - The accounting system should present financial information in a clear and concise fashion.

**Condition** - During the audit we noted one purchase of concession stand supplies with cash and two checks written to cash.

**Questioned costs** - \$1,000

**Context** - Isolated to the two checks mentioned.

**Effect** - Expenditures totaling \$1,000 are not supported with proper documentation.

**Cause** - Lack of controls over purchases and check signing.

**Recommendation** - We urge the District to prohibit the use of cash to conduct business and prohibit the issuing of checks made payable to cash.

01-12 **Criteria** - A good accounting system must be maintained daily. Transactions must be recorded as they occur.

**SCHEDULE OF FINDINGS**

**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section II Financial Statement Findings (Continued)**

**Internal Control/Compliance (Continued)**

01-12 (Continued)

**Condition** - Internal controls over cash receipts from concession sales and gate admissions are weak. Deposits evidencing concession sales and gate admissions were not deposited in bank accounts on a daily basis. Such conditions permit the under reporting of cash collections.

**Questioned costs** - Not Determined

**Context** - Systematic problem that involves the District stewardship responsibilities to keep public funds from misuse.

**Effect** - A misuse of public funds.

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

**Recommendation** - We suggest the installation of procedures that will reconcile concession stand products and gate admissions with the collection of cash. Also, policies should be adopted which will ensure the daily deposit of all cash receipts.

01-13 **Criteria** - The accounting system must clearly present the financial position of the government to ensure the recording and reporting clearly reflects the Board of Director's stewardship responsibility.

**Condition** - Internal controls were not in place to account for receipt of purchases.

**Questioned costs** - Not Determined

**Context** - Systematic problem that involves the District stewardship responsibilities to keep public funds from misuse.

**SCHEDULE OF FINDINGS**

**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section II Financial Statement Findings (Continued)**

Internal Control/Compliance (Continued)

01-13 (Continued)

**Effect** - A misuse of public funds.

**Cause** - A lack of controls over receipt of goods and services purchased and failure to reconcile and investigate differences in the quantity of items purchased, sold and on hand.

**Recommendation** - We recommend purchase documentation include authorization to purchase, evidence of the purchase and receipt for delivery of the goods or services. In addition, we recommend a daily accounting and reconciliation on inventory purchases, sales and remaining items. Finally, at least annually all inventory and fixed assets should be counted and reconciled to the records.

**Section III Federal Award Findings and Questioned Costs - Not Applicable**

**REPORTS BY MANAGEMENT**

## SCHEDULE OF PRIOR YEAR FINDINGS

### **Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

#### **Section I Internal Control and Compliance Material to the General-Purpose Financial Statements**

##### **Internal Control/Compliance**

00-1 **Recommendation** - The Board must increase its level of oversight by requiring monthly financial statements. The financial statements should be supported by an accurate, easy-to-use file system and the reconciliation of banking activity to the financial statements. In addition, all government filings must be made timely.

**Management's Corrective Action**- No action on the finding was taken, unresolved, see current year internal control findings 01-1 and 01-7 through 01-13.

00-2 **Recommendation** - The District must monitor the budget to actual financial results on a monthly basis. Only by monitoring the budget to actual, can the District prevent future cash flow problems. The budget should include a beginning and ending fund balance and should be amended at appropriate times.

**Management's Corrective Action**- The Board adopted a budget for the year ended December 31, 2001, unresolved, see current year compliance finding 01-6.

00-3 **Recommendation** - We recommend that wages be paid on the last day of the month. Payments should be issued only after the services are performed as evidenced by invoices or other time and attendance records.

**Management's Corrective Action**- No advance wages or fees were paid in 2001, unresolved, see internal control finding 01-7.

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

Terrebonne Parish Recreation District No. 3 did not receive federal awards during the year ended December 31, 2000.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2000.

# MANAGEMENT'S CORRECTIVE ACTION PLAN

## Terrebonne Parish Recreation District No. 3

For the year ended December 31, 2001

### Section I Internal Control and Compliance Material to the General-Purpose Financial Statements

#### Internal Control/Compliance

01-1 **Recommendation** - We recommend that controls be in place to assure that an expenditure voucher package can support the authorization, purpose, price and receipt of all goods and services purchased. The system should allow for easy access to documentation.

**Management's Corrective Action** - All invoices, receiving and other documentation for each disbursement is now maintained in a monthly file in the order the checks were issued.

01-2 **Recommendation** - Employees should only be paid for time worked as documented by signed time and attendance records.

**Management's Corrective Action** - No employees will be given bonuses.

01-3 **Recommendation** - The District should file timely all required governmental tax forms and reports.

**Management's Corrective Action** - A month end and year end closing schedule will be developed to ensure all vendors or individuals that are paid over \$600 in 2002 will be issued a 1099 at year-end and sales tax reports are prepared when required.

01-4 **Recommendation** - The District should not conduct business with any company owned directly by board members or their immediate family members.

**Management's Corrective Action** - The current board members will not hire any family members to provide any service or product for the district.

01-5 **Recommendation** - We suggest the District maintain its accounting records daily and summarize transactions and report to the Board monthly. Such a policy should permit the audit to begin a month after year end.

**Management's Corrective Action** - All records are being kept in a monthly file along with all documents presented and approved by the board. Financials are currently completed to date. Year-end financials and supporting documents will be sent to the auditors by January 31, 2003 for annual audit for fiscal year ending December 31, 2002.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section I Internal Control and Compliance Material to the General-Purpose Financial Statements (Continued)**

**Internal Control/Compliance (Continued)**

01-6 **Recommendation** - We suggest the District review and follow the applicable state budget laws for monitoring the budget for the year ending December 31, 2002 and adopt future budgets in accordance with those laws.

**Management's Corrective Action** - Budgets will be adopted prior to the fiscal year, monitored monthly and amended when necessary.

01-7 **Recommendation** - We suggest explanatory notes be added to the files to explain unusual service payments.

**Management's Corrective Action** - The current bookkeeper was hired to take over effective August 1, 2001. The previous bookkeeper had been paid in advance for services rendered. The current bookkeeper is now preparing an invoice at the end of the month the services are rendered and will be paid when invoices are approved at the next monthly board meetings.

01-8 **Recommendation** - We recommend the removal of the bookkeeper from all purchasing and check signing duties and the insertion of a second Board member as an approved check signer. Checks should only be signed after review of the expenditure package.

**Management's Corrective Action** - Signatures on the checking account now consist of two (2) Board Members and (2) TPCG Finance Staff employees. Expenditures are presented and approved at the board meetings before most checks are signed. The following procedures are now being performed by the Board and staff:

- Invoices or a copy of the invoices along with the checks are presented at the board meeting.
- Invoices for utilities and payroll that need to be paid before the board meetings will be presented at the board meeting.
- No capital expenditures will be purchased until first approved by the board.
- Financial Reports, bank statements, canceled checks and invoices will be available to all board members for inspection.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section I Internal Control and Compliance Material to the General-Purpose Financial Statements (Continued)**

**Internal Control/Compliance (Continued)**

01-9 **Recommendation** - Issue a "stop payment" order on the missing checks and put all unused checks under lock and key.

**Management's Corrective Action** - The checking account with the missing checks is being closed. A new account is being opened and all unused checks will be safely kept under lock and key.

01-10 **Recommendation** - The District should adopt policies that result in daily accounting for transactions, monthly summarizations and reconciliations to outside sources and produce monthly financial statements for distribution to the Board.

**Management's Corrective Action** - A month end and year end closing schedule will be developed and all bank statements shall be accounted for and reconciled to the District's records.

01-11 **Recommendation** - We urge the District to prohibit the use of cash to conduct business and prohibit the issuing of checks made payable to cash.

**Management's Corrective Action** - All checks written will be made payable to vendors for payments or to employees for reimbursement of expenses with the supporting documentation for such payments in the monthly files.

01-12 **Recommendation** - We suggest the installation of procedures that will reconcile concession stand products and gate admissions with the collection of cash. Also, policies should be adopted which will ensure the daily deposit of all cash receipts.

**Management's Corrective Action** - Concession sales and gate collections will be accounted for and verified by a second individual. Cash collections shall be deposited on a regular basis.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
**(Continued)**

**Terrebonne Parish Recreation District No. 3**

For the year ended December 31, 2001

**Section I Internal Control and Compliance Material to the General-Purpose Financial Statements (Continued)**

**Internal Control/Compliance (Continued)**

01-13 **Recommendation** - We recommend purchase documentation include authorization to purchase, evidence of the purchase and receipt for delivery of the goods or services. In addition, we recommend a daily accounting and reconciliation on inventory purchases, sales and remaining items. Finally, at least annually all inventory and fixed assets should be counted and reconciled to the records.

**Management's Corrective Action** - An expenditure packet will be assembled with documentation to support the disbursement in addition physical inventory counts will be done randomly to account for the concession supplies throughout the year and a year-end inventory will be done.

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

Terrebonne Parish Recreation District No. 3 did not receive federal awards during the year ended December 31, 2001.

**Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2001.