

Financial Report
Terrebonne Parish Recreation District No. 2/3
Houma, Louisiana
For the year ended December 31, 2005

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 7/26/06

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December 31, 2005

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FINANCIAL SECTION



Bourgeois Bennett

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
Terrebonne Parish Recreation District No. 2/3,
Houma, Louisiana.

We have audited the accompanying financial statements of the governmental activities and the General Fund of Terrebonne Parish Recreation District No. 2/3, (the District), a component unit of Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of Terrebonne Parish Recreation District No. 2/3 as of December 31, 2005, and the changes in financial position and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated May 9, 2006 on our consideration of Terrebonne Parish Recreation District No. 2/3's internal control over financial reporting and our 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 our testing of internal control over financial reporting and compliance and

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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 our audit.

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

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
May 9, 2006.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Terrebonne Parish Recreation District No. 2/3

The Management's Discussion and Analysis of the Terrebonne Parish Recreation District No. 2/3 (the District) financial performance presents a narrative overview and analysis of the District's financial activities for the year ended December 31, 2005. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The District's assets exceeded its liabilities at the close of fiscal year 2005 by \$1,936,540 (net assets), which represents a 11.17% increase from last fiscal year.

The District's revenues increased by \$87,291 (or 19.84%) due to the increase in Ad Valorem taxes, and the gain on the sale of fixed assets.

The District's expenses decreased \$25,853 (or 7.21%) primarily due to the extensive repairs and maintenance done in the prior year.

Capital assets, net of accumulated depreciation increased by \$112,040 largely due to the purchase of bleacher canopies for three ballpark facilities, playground equipment for the Broadmoor Ballpark, and a metal office building at the Southland Ballpark.

The District did not have any funds with deficit fund balances.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's annual report consists of three parts: (1) management's discussion and analysis (this section) (2) financial statements and (3) various governmental compliance reports and schedules by certified public accountants and management.

The financial statements include two kinds of statements that present different views of the District:

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private sector business. The statement of net assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. The statement of activities presents information showing how the District's net assets change during each fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activity of the District is culture and recreation.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has one governmental fund.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains an individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund. The District adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The governmental fund financial statements can be found on pages 9-13 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provide in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit F of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. As of December 31, 2005, assets exceeded liabilities by \$1,936,540. The majority of the District's net assets (94.57%) reflects its investment in capital assets (e.g., land; buildings; improvements other than building; equipment and furniture; and vehicles). Consequently, these assets are not available for future spending.

Condensed Statements of Net Assets

	December 31,		Dollar Change
	2005	2004	
Current and other assets	\$ 614,774	\$ 486,742	\$ 128,032
Capital assets	1,831,304	1,719,264	112,040
Total assets	<u>2,446,078</u>	<u>2,206,006</u>	<u>240,072</u>
Current and other Liabilities	<u>509,538</u>	<u>464,006</u>	<u>45,532</u>
Net Assets:			
Invested in capital assets, net of related debt	1,831,304	1,719,264	112,040
Unrestricted	105,236	22,736	82,500
Total net assets	<u>\$ 1,936,540</u>	<u>\$ 1,742,000</u>	<u>\$ 194,540</u>

There was an increase in capital assets due to the purchase of bleacher canopies, playground equipment, and a metal office building. Current and other assets increased primarily due to the increase in ad valorem tax receivable, and the larger amount of cash at year end.

Governmental Activities

Governmental activities increased the District's net assets by \$ 194,540. Key elements of this increase are as follows:

Condensed Changes in Net Assets

	December 31,		Dollar Change	Total Percent Change
	2005	2004		
Revenues:				
Program revenues:				
Charges for Services	\$ 23,885	\$ 19,673	\$ 4,212	21.41%
General revenues:				
Gain on sale of asset	50,000	-	50,000	100.00%
Taxes	432,044	397,605	34,439	8.66%
Intergovernmental	20,169	20,566	(397)	-1.93%
Miscellaneous	1,093	2,056	(963)	-46.84%
Total revenues	<u>527,191</u>	<u>439,900</u>	<u>87,291</u>	19.84%
Expenses:				
General Government	18,319	18,115	204	1.13%
Culture and Recreation	314,332	340,389	(26,057)	-7.66%
Total expenses	<u>332,651</u>	<u>358,504</u>	<u>(25,853)</u>	-7.21%
Increase in net assets	194,540	81,396	113,144	139.00%
Net assets beginning of year	1,742,000	1,660,604	81,396	4.90%
Net assets end of year	<u>\$ 1,936,540</u>	<u>\$ 1,742,000</u>	<u>\$ 194,540</u>	11.17%

Charges for services increased in 2005 because of all concession stands being opened for the entire year. General revenues increased due to the sale of bleachers at the Southland Ballpark and the increase in ad valorem taxes. Expenses decreased because of the extensive amount of repairs and maintenance made in the previous year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the District's governmental funds reported ending fund balances of \$105,236, an increase of \$82,500 in comparison with the prior year.

General Fund Budgetary Highlights

The budget was amended three times during the year. The primary reasons for amending the budget were to prevent compliance violations under state law. The major differences between the original General Fund budget and the final amended budget were as follows:

Revenues and other financing sources

- Other financing sources were increased due to the sale of bleachers.

Expenditures

- Capital Expenditures were increased for the purchase of bleacher canopies at three ballpark facilities. An increase was also made to reflect the purchase of the office building at Southland Ballpark, and playground equipment at Broadmoor Park.

During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's capital assets for its governmental activities as of December 31, 2005, amounts to \$1,831,304 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements other than building, equipment and furniture, and vehicle (see table below).

	<u>2005</u>	<u>2004</u>
Land	\$ 285,555	\$ 285,555
Buildings	813,824	783,865
Improvements other than building	1,492,055	1,376,138
Office furniture, fixtures and equipment	351,160	270,326
Vehicles, machinery and equipment	<u>19,635</u>	<u>19,635</u>
Totals	<u>\$ 2,962,229</u>	<u>\$ 2,735,519</u>

The major capital asset events during the year were the purchase of bleacher canopies for three ballparks, playground equipment for the Broadmoor Ballpark, and a metal office building for Southland Ballpark.

Additional information on the District's capital assets can be found in the Note 5, Exhibit F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Board of Directors considered the following factors and indicators when setting next year's budget, rates, and fees. These factors and indicators include:

- The Ad Valorem Tax revenue budgeted represents the actual amount of the November 2005 tax assessment and the maximum millage of (5.00 mills), which the District will receive, for the most part, in January 2006.
- Interest revenues are budgeted with no anticipation of an increase in rates.
- Expenditures were basically anticipated to remain in line with 2005 expenditures, except for insurance, salaries, and capital expenditures.
- Insurance accounts were increased by 10% to provide for anticipated premium increases.
- Salaries were increased to provide for a salary increase.
- Capital expenditures are budgeted for equipment purchases, a lighting project, and capital contingencies at various parks.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Board of Directors of the Terrebonne Parish Recreation District No. 2/3, 421 Westview Dr., Houma, Louisiana 70364.

**STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUND BALANCE SHEET**

Terrebonne Parish Recreation District No. 2/3

December 31, 2005

	<u>General Fund</u>	<u>Adjustments (Exhibit B)</u>	<u>Statement of Net Assets</u>
Assets			
Cash	\$ 105,438		\$ 105,438
Investments	6,096		6,096
Receivables - taxes	103,889		103,889
Due from other governmental units	396,128		396,128
Other	3,223		3,223
Capital assets:			
Non-depreciable	-	\$ 285,555	285,555
Depreciable, net of accumulated depreciation	-	<u>1,545,749</u>	<u>1,545,749</u>
Total assets	<u>\$ 614,774</u>	<u>1,831,304</u>	<u>2,446,078</u>
Liabilities			
Accounts payable and accrued expenditures	\$ 2,429		2,429
Due to Terrebonne Parish Consolidated Government	444		444
Deferred revenue	<u>506,665</u>		<u>506,665</u>
Total liabilities	<u>509,538</u>		<u>509,538</u>
Fund Balances/Net Assets			
Fund balances:			
Unreserved	<u>105,236</u>	<u>(105,236)</u>	<u>-</u>
Total fund balances	<u>105,236</u>	<u>(105,236)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 614,774</u>		
Net assets:			
Invested in capital assets		1,831,304	1,831,304
Unrestricted		<u>105,236</u>	<u>105,236</u>
Total net assets		<u>\$ 1,936,540</u>	<u>\$ 1,936,540</u>

See notes to financial statements.

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

Terrebonne Parish Recreation District No. 2/3

December 31, 2005

Fund Balances - Governmental Fund		\$ 105,236
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	\$ 2,962,229	
Less accumulated depreciation	<u>(1,130,925)</u>	<u>1,831,304</u>
Net Assets of Governmental Activities		<u>\$ 1,936,540</u>

See notes to financial statements.

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

Terrebonne Parish Recreation District No. 2/3

For the year ended December 31, 2005

	<u>General Fund</u>	<u>Adjustments (Exhibit D)</u>	<u>Statement of Activities</u>
Revenues			
Taxes	\$ 432,044		\$ 432,044
Intergovernmental:			
State of Louisiana:			
State revenue sharing	20,169		20,169
Charges for services	23,885		23,885
Gain on sale of asset	-	\$ 50,000	50,000
Miscellaneous:			
Interest	1,093	-	1,093
Total revenues	<u>477,191</u>	<u>50,000</u>	<u>527,191</u>
Expenditures/Expenses			
Current:			
General government:			
Ad valorem tax adjustment	3,684		3,684
Ad valorem tax deductions	14,635		14,635
Total general government	<u>18,319</u>		<u>18,319</u>
Culture and recreation:			
Personal services	96,445		96,445
Supplies and materials	51,607		51,607
Other services and charges	36,808		36,808
Repairs and maintenance	14,802		14,802
Depreciation	-	114,670	114,670
Total culture and recreation	<u>199,662</u>	<u>114,670</u>	<u>314,332</u>
Capital outlay	<u>226,710</u>	<u>(226,710)</u>	<u>-</u>
Total expenditures/expenses	<u>444,691</u>	<u>(112,040)</u>	<u>332,651</u>
Excess of revenues over expenditures	32,500	162,040	194,540
Other Financing Sources			
Proceeds from sale of general fixed assets	<u>50,000</u>	<u>(50,000)</u>	<u>-</u>
Excess of Revenue and Other Financing Sources over Expenditures	82,500	(82,500)	-
Change in Net Assets	-	194,540	194,540
Fund Balance/Net Assets			
Beginning of year	<u>22,736</u>	<u>1,719,264</u>	<u>1,742,000</u>
End of year	<u>\$ 105,236</u>	<u>\$ 1,831,304</u>	<u>\$ 1,936,540</u>

See notes to financial statements.

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

Terrebonne Parish Recreation District No. 2/3

For the year ended December 31, 2005

Net Change in Fund Balance - Governmental Fund **\$ 82,500**

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

Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 226,710	
Depreciation expense	<u>(114,670)</u>	
Excess of capital outlay over depreciation expense		<u>112,040</u>

Change in Net Assets of Governmental Activities **\$ 194,540**

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND**

Terrebonne Parish Recreation District No. 2/3

For the year ended December 31, 2005

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Taxes	\$ 449,100	\$ 432,000	\$ 432,044	\$ 44
Intergovernmental:				
State of Louisiana:				
State revenue sharing	20,000	20,150	20,169	19
Charges for services	18,000	23,875	23,885	10
Miscellaneous:				
Interest	900	1,100	1,093	(7)
Total revenues	<u>488,000</u>	<u>477,125</u>	<u>477,191</u>	<u>66</u>
Expenditures				
Current:				
General government:				
Ad valorem tax adjustment	1,000	3,700	3,684	16
Ad valorem tax deductions	21,000	14,650	14,635	15
Total general government	<u>22,000</u>	<u>18,350</u>	<u>18,319</u>	<u>31</u>
Culture and recreation:				
Personal services	101,500	101,000	96,445	4,555
Supplies and materials	40,000	59,000	51,607	7,393
Other services and charges	49,800	41,800	36,808	4,992
Repairs and maintenance	19,000	23,500	14,802	8,698
Total culture and recreation	<u>210,300</u>	<u>225,300</u>	<u>199,662</u>	<u>25,638</u>
Capital outlay	<u>250,000</u>	<u>295,200</u>	<u>226,710</u>	<u>68,490</u>
Total expenditures	<u>482,300</u>	<u>538,850</u>	<u>444,691</u>	<u>94,159</u>
Excess (Deficiency) of revenues over expenditures	5,700	(61,725)	32,500	(94,225)
Other Financing Sources				
Proceeds from sale of general fixed assets	-	50,000	50,000	-
Excess (Deficiency) of Revenues and Other Financing Sources over Expenditures	5,700	(11,725)	82,500	(94,225)
Fund Balance				
Beginning of Year	2,628	22,736	22,736	-
End of Year	<u>\$ 8,328</u>	<u>\$ 11,011</u>	<u>\$ 105,236</u>	<u>\$ (94,225)</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Terrebonne Parish Recreation District No. 2/3

December 31, 2005

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Terrebonne Parish Recreation District No. 2/3 (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 Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2005.

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) Basis of Presentation

The District's financial statements consist of the government-wide statements on all activities of the District and the governmental fund financial statements.

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities for all activities of the District. The government-wide presentation focuses primarily on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities generally are financed through ad valorem taxes and the related state revenue sharing.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (continued)

Fund Financial Statements:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of Statement No. 34. The daily accounts and operations of the District continue to be organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. 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.

c) Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

Fund Financial Statements:

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting (continued)

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Ad valorem taxes and the related state revenue sharing (Intergovernmental revenue) are recognized as revenue in the period for which levied, thus the 2005 property taxes which are being levied to finance the 2006 budget will be recognized as revenue in 2006. The 2005 tax levy is recorded as deferred revenue in the District's 2005 financial statements. Charges for services are recorded when earned since they are measurable and available. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Allocations of cost such as depreciation are not recognized in the governmental funds.

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 budgetary practices include public notice of the proposed budget, public inspection of the proposed budget and a public hearing on the budget prior to adoption. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budget three times during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year-end.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Operating Budgetary Data (continued)

The General Fund budget is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America.

The General Fund budget presentation is included in the financial statements.

f) Accounts Receivable

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and other receivables 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 operations of the funds.

g) Investments

Investments consist of certificates of deposit which are stated at cost and approximates market value.

h) Capital Assets

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

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Capital Assets (Continued)

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	5 - 40 years
Improvements other than building	5 - 30 years
Equipment and furniture	5 - 20 years
Vehicles	5 years

Fund Financial Statements:

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

i) Vacation and Sick Leave

Accumulated vacation and sick leave are recorded as expenditures of the period in which paid.

Employees can earn 96 hours or 136 hours of vacation leave, depending on their length of employment. Accumulated vacation leave is due to the employee at the time of termination or death. The vacation policy provides that employees are to take vacation within one year of being earned, with no carryforward provisions.

Employees earn 56 hours sick leave per year. Unused sick leave can not be carried forward to future years.

There is no material unpaid vacation and sick leave at December 31, 2005.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Fund Equity

Government-wide Statements:

Equity is classified as net assets and displayed in three components:

Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. At December 31, 2005 the District had no outstanding borrowings.

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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. As of December 31, 2005 and for the year then ended, the District did not have or receive restricted net assets.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated.

k) New Accounting Pronouncements

The District adopted GASB Statement No. 40, Deposit and Investment Risks Disclosures, an amendment of GASB Statement No. 3. Statement No. 40 addresses disclosure of common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk and foreign currency risk, such disclosures are included in Note 2. Adoption of Statement No. 40 does not affect the District’s financial position or results of operations.

The District adopted GASB Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries. Statement No. 42

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) New Accounting Pronouncements (Continued)

establishes accounting and financial reporting standards for impairment of capital assets and also establishes accounting requirements for insurance recoveries. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. Adoption of Statement No. 42 does not materially affect the District's financial position.

Note 2 - DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investment, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

State law requires deposits (cash and certificates of deposit) of all political subdivisions to 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.

The year-end balances of deposits are as follows:

	Bank Balances	Reported Amount
Cash	\$ 157,264	\$ 105,438
Investments:		
Certificates of Deposit	6,096	6,096
Totals	\$ 163,360	\$ 111,534

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk. As of December 31, 2005, \$47,294 of the District's bank balance of \$163,360 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Note 2 - DEPOSITS (Continued)

At December 31, 2005, cash and certificates of deposit in excess of the FDIC insurance were adequately collateralized by securities held by unaffiliated banks for the account of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial risk. Even though the pledges securities are considered subject to custodial credit risk under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Note 3 - 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, 2005. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can 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, 2005 was \$5.00 per \$1,000 of assessed valuation on property within Recreation District No. 2/3 for the purpose of constructing, maintaining and operating recreational facilities within the District. As indicated in Note 1c, taxes levied November 1, 2005 are for budgeted expenditures in 2006 and will be recognized as revenues in 2006.

Note 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units at December 31, 2005 consisted of the following:

State of Louisiana - State revenue sharing	\$	13,741
Terrebonne Parish Tax Collector - December, 2005		
collections remitted to the District in January, 2006:		
Ad valorem taxes		375,516
State revenue sharing		6,871
Total	\$	396,128

Note 5 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Balance January 1, 2005	Additions	Balance December 31, 2005
Capital assets not being depreciated:			
Land	\$ 285,555	\$ -	\$ 285,555
Capital assets being depreciated:			
Buildings	783,865	29,959	813,824
Improvements other than building	1,376,138	115,917	1,492,055
Equipment and furniture	270,326	80,834	351,160
Vehicles	19,635	-	19,635
Total capital assets being depreciated	2,449,964	226,710	2,676,674
Less accumulated depreciation for:			
Buildings	(333,972)	(27,761)	(361,733)
Improvements other than building	(484,267)	(69,693)	(553,960)
Equipment and furniture	(182,878)	(13,289)	(196,167)
Vehicles	(15,138)	(3,927)	(19,065)
Total accumulated depreciation	(1,016,255)	(114,670)	(1,130,925)
Total capital assets being depreciated, net	1,433,709	112,040	1,545,749
Total capital assets, net	\$ 1,719,264	\$ 112,040	\$ 1,831,304

Note 6 - 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 and group health benefits for which the District participates in the Parish's risk management program for general liability, workers' compensation, group insurance, property and auto liability. No settlements were made during the year that exceeded the District's insurance coverage. The District's premiums for general liability are based on such factors as its operations and maintenance budget, exposure and claims experience. The Premiums for workers' compensation based on a fixed percentage of payroll. The District's premiums for group health insurance are based on a fixed rate per employee. The premiums for auto liability are based on the claims experience, vehicle type and

Note 6 - RISK MANAGEMENT (Continued)

mileage. The premiums for property are based on the District's property value to the total of all the property value covered. The Parish handles all claims filed against the District. 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
Property	\$100,100,000
Auto Liability	\$6,500,000

Coverage for general liability claims in excess of the stated limits above are to be funded first by assets of the Parish's risk management internal service fund, \$3,603,543 at December 31, 2004, then secondly by the District. The Parish is self-insured for the first \$125,000 of each claim relating to group health. The aggregate deductible of all group claims for 2004 was \$12,725,275. Insurance contracts cover 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, \$2,826,924 at December 31, 2004, then secondly by the District or the employee for individual claims in excess of \$1,000,000. At December 31, 2005, the District had no claims in excess of the above coverage limits. Expenditures for premiums to the Parish for insurance coverages during the year ended December 31, 2005 totaled \$33,792.

Note 7 - COMPENSATION OF BOARD MEMBERS

The District did not pay per diem to any of its Board Members for the year ended December 31, 2005.

Note 8 - CONTINGENCIES

The state of Louisiana incurred significant losses as a result of Hurricanes Katrina and Rita in August and September 2005. Hurricane relief and recovery efforts have stretched the State's finances and increased the likelihood of cuts in the District's future funding from the State. If significant budget cuts are made at the Federal, state and local government levels, the amount of funds that the District will receive could be reduced significantly and have an adverse impact on its operations. Management is not able to estimate at this time the amount of funds that the District will receive from future state funding. However, management believes that it will receive sufficient funds to avoid a material impact the District's future operations.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS



Bourgeois Bennett

**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**

To the Board of Commissioners,
Terrebonne Parish Recreation District No. 2/3,
Houma, Louisiana

We have audited the financial statements of the governmental activities and the General Fund of Terrebonne Parish Recreation District No. 2/3 (the District), a component unit of Terrebonne Parish Consolidated Government, as of May 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and 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 our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted a certain matter that we reported to management of the District in a separate letter dated May 9, 2006.

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. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bourgeois Bennett, L.L.C.
Certified Public Accountants.

Houma, Louisiana,
May 9, 2006.

SCHEDULE OF FINDINGS AND RESPONSES

Terrebonne Parish Recreation District No. 2/3

For the year ended December 31, 2005

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

b) Federal Awards

Terrebonne Parish Recreation District No. 2/3 did not receive federal awards during the year ended December 31, 2005.

Section II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended December 31, 2005.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Terrebonne Parish Recreation District No. 2/3

For the year ended December 31, 2005

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2004.
No reportable conditions were reported during the audit for the year ended December 31, 2004.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2004.

Section II Internal Control and Compliance Material to Federal Awards

Terrebonne Parish Recreation District No. 2/3 did not receive federal awards during the year ended December 31, 2004.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2004.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne Parish Recreation District No. 2/3

For the year ended December 31, 2005

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2005.
No reportable conditions were reported during the audit for the year ended December 31, 2005.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2005.

Section II Internal Control and Compliance Material to Federal Awards

Terrebonne Parish Recreation District No. 2/3 did not receive federal awards during the year ended December 31, 2005.

Section III Management Letter

05 – 1 **Recommendation** – We recommend in the future when disposing of assets the District introduce a resolution stating its intentions and publish such ordinance.

Management's Corrective Action – In the future management will be more attentive to State Law requirements.



Bourgeois Bennett

To the Board of Commissioners,
Terrebonne Parish Recreation District No. 2/3,
Houma, Louisiana.

We have audited the basic financial statements of Terrebonne Parish Recreation District No. 2/3 (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated May 9, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. In planning and performing our audit, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on internal control.

However, during our audit we became aware of a matter, which represents immaterial noncompliance with certain provisions of laws, regulations, contracts and grants. The memorandum that accompanies this letter summarizes our suggestions and recommendations regarding this matter. We previously reported on the District's internal control and compliance in our report dated May 9, 2006. This letter does not affect our report dated May 9, 2006 on the basic financial statements of the District.

We will review the status of this comment during our next audit engagement. We have already discussed the comments and recommendations with the District, and we will be pleased to discuss it in further detail at your convenience, to perform an additional study of the matters or to assist you in implementing the recommendation.

Sincerely,

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
May 9, 2006.

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MANAGEMENT COMMENTS

Terrebonne Parish District No. 2/3

For the year ended December 31, 2005

05 - 1 **Criteria** – Louisiana Revised Statute 33:4712 states that before disposition and sale of property, the local governing authority must introduce an ordinance (resolution) giving the reasons for the action on the part of the governing authority, and fixing the minimum price and terms of the sale, lease, exchange, or other contract to be made with reference to the property. It also states that a notice of the proposed ordinance must be published three times in fifteen days, one week apart, in a newspaper published in the municipality.

Condition – Documentation could not be located that the District introduced a resolution giving their reasons of disposing of and selling the bleachers, and therefore, no documentation that such resolution was published.

Questioned Costs – None.

Context – This is an isolated instance confined to the disposing of and selling of the bleachers.

Effect – Noncompliance with State Law.

Cause – No documentation located that would confirm compliance with State Law.

Recommendation - We recommend in the future when disposing of assets the District introduce a resolution stating its intentions and publish such ordinance.