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**Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana
December 31, 2003**

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Release Date 8/25/04

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**Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana
December 31, 2003**

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May 31, 2004

Independent Auditor's Report

Recreation and Park Commission for
the Parish of East Baton Rouge
Baton Rouge, Louisiana

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the

**Recreation and Park Commission for
the Parish of East Baton Rouge**

as of and for the year ended December 31, 2003, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission'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 respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Recreation and Park Commission for the Parish of East Baton Rouge, as of December 31, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial State - and Management's Discussion and Analysis - for State and Local Governments*, as of December 31, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2004, on our consideration of the Recreation and Park Commission for the Parish of East Baton Rouge's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information beginning on page five, are not required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Yours truly,

Hawthorn, Weymouth, & Carroll L.L.P.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2003**

As financial management of the Recreation and Park Commission for the Parish of East Baton Rouge (BREC) we offer readers of these financial statements an overview and analysis of BREC financial activities. This narrative is designed to assist readers in focusing on significant financial issues, identify changes in financial position, identify material deviations from approved budget documents (if any) and identify individual fund issues or concerns.

Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts. It should be read in conjunction with the Letter of Transmittal and financial statements.

FINANCIAL HIGHLIGHTS

- Assets of the Recreation and Park Commission exceeded its liabilities on December 31, 2003 by \$80,575,589 (net assets). Of this amount, \$11,590,103 (unrestricted net assets) may be used to meet ongoing obligations to our creditors.
- As of December 31, 2003, the primary governmental funds reported combined ending fund balances of \$25,424,974, an increase of \$518,531 in comparison with the prior year. Approximately 95% of this total amount, \$24,711,974, is available for spending at BREC's discretion (unrestricted fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

With implementation of Governmental Accounting Standards Board Statement 34, a government's presentation of financial statements has been greatly changed. This is the first year that BREC has adopted the new format. The new statements focus on the agency as a whole (government-wide) and its major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and should enhance BREC accountability.

Government-Wide Financial Statements

Government-wide financial statements are designed to be similar to private sector business in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations. Donated infrastructure is included. Also presented in the government-wide financial statements is a total column for business-type activities of the primary government. There are no other component units to which BREC may be obligated to provide financial assistance; and no other component units are represented in these statements.

The Statement of Net Assets presents information on all the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether or not the financial position of the Commission is improving.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2003**

Government-Wide Financial Statements (Continued)

The Statement of Activities presents information showing how BREC net assets have changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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. For example, uncollected taxes and earned but unused vacation leave affect cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities which are provided by the Commission's general tax and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services and/or subsidies to various business-type activities.

Governmental activities reflect those recreation programs provided by BREC to the general public such as golf, tennis, sports leagues, classes, etc; and maintenance of park facilities. Also included in governmental activities are the programs and maintenance of special facilities such as the Baton Rouge Zoo, Magnolia Mound Plantation House, Bluebonnet Swamp and others. Since all of BREC's activities are a governmental type, there is no presentation of business-type activities reflected in these financial statements.

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. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds rather than generic fund types.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Governmental Major Fund presentation is presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and the generally accepted accounting principle (GAAP) basis. Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements. The Commission has presented the general fund and the capital projects fund as major funds.

Infrastructure Assets

General capital assets include land, improvements to land, easements, buildings, vehicles, machinery and equipment, exotic and domestic live animals, infrastructure, and all other tangible assets that are used in operations and that have initial useful lives greater than two years and exceed the government's capitalization threshold (See Footnote #4: Changes in Capital Assets). Donated infrastructure assets are capitalized and are included in capital asset balances at market value at the date of acquisition. Prior to the implementation of the new reporting model, no depreciation was charged on general capital assets. Accumulated depreciation was recorded for the first time based on the date of acquisition and the life span of the asset in the 2003 financial statements.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2003**

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements.

Government-Wide Financial Analysis

The following table reflects the condensed Statement of Net Assets for 2003. Prior year data is not presented in the implementation year but will be included in future years for comparison purposes.

Recreation and Park Commission for the Parish of East Baton Rouge
Condensed Statement of Net Assets
December 31, 2003

	<u>Governmental Activities</u>
Assets	
Current and Other Assets	\$27,562,955
Restricted Assets	9,735,728
Capital Assets	<u>59,249,758</u>
<u>Total Assets</u>	<u>96,548,441</u>
Liabilities	
Current Liabilities	11,873,709
Long-Term Liabilities	<u>4,099,143</u>
<u>Total Liabilities</u>	<u>15,972,852</u>
Net Assets	
Invested in Capital Assets	59,249,758
Restricted	9,735,728
Unrestricted	<u>11,590,103</u>
<u>Total Net Assets</u>	<u>80,575,589</u>

Approximately 74% of the Commission's net assets as of December 31, 2003, reflects investment in capital assets (land, buildings, infrastructure, animals, machinery and equipment). There is no related outstanding debt on those assets, as no debt was incurred in the acquisition of the assets. BREC uses these assets to provide services to the public, consequently these assets are not available for future spending. Another 12% of the Commission's net assets are subject to external restrictions on how they may be used such as property taxes approved by the electorate for specific purposes. Included are reserves of the General Fund and the entire Fund Balance of the Capital Improvement Fund. The remaining 14% of net assets, unrestricted assets, may be used to meet ongoing obligations of the Commission to citizens and creditors.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2003**

Government-Wide Financial Analysis

The table below provides a summary of the changes in net assets for the year ended December 31, 2003:

Recreation and Park Commission for the Parish of East Baton Rouge
Condensed Statement of Changes in Net Assets
For the Year Ended December 31, 2003

	<u>Governmental Activities</u>
Revenues	
Program Revenues	
Charges for Services	\$6,218,758
General Revenues	
Ad Valorem Tax	22,245,507
State Revenue Sharing	1,272,934
Other General Revenues	<u>1,463,010</u>
<u>Total Revenues</u>	<u>31,200,209</u>
Expenses	
General Administration	6,420,456
Recreation Dept Administration	473,772
Recreation Programs	15,759,888
Maintenance Department	7,139,736
Community Outreach Programs	<u>618,588</u>
<u>Total Expenses</u>	<u>30,412,440</u>
Increase in Net Assets	787,769
Net Assets, January 1, 2003	<u>79,787,820</u>
Net Assets, December 31, 2003	<u>80,575,589</u>

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2003**

Financial Analysis of the Commission's Funds

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

Governmental Funds:

The focus of BREC's governmental funds is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing BREC 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.

The general fund is the chief operating fund of the Commission. At the end of the current fiscal year, unreserved fund balance of the general fund was \$14,878,836, while total fund balance reached \$15,689,246. Compared with total fund balance of \$14,936,703 at the end of 2002, fund balance grew \$752,543 during 2003. The key factor contributing to this growth was an additional \$912,000 of ad valorem tax revenues.

Fund balance in the Capital Projects Fund decreased \$234,012 in 2003, due mainly to two major construction projects; (1) renovation of the Clark Park Golf Course to a "First-Tee" facility; and (2) construction of a ballfield complex at Oak Villa (formerly Crestaire) Park. Since the Capital Projects Fund operates on a pay-as-you-go basis, cash was available for these projects from prior year's surpluses, and no debt was incurred for these projects.

General Fund Budgetary Highlights

The Louisiana Local Government Budget Act requires that the Commission adopt budget amendments whenever revenue collections fail to meet projections by more than 5%; or when actual projected expenditures exceed budgeted expenditures by more than 5%; or when actual beginning fund balance fails to meet estimated beginning fund balance by more than 5% if fund balance is being used to fund current year expenditures. The budget amendments described in the next paragraph were made in 2003 at BREC's discretion for management's purposes, and were not required budget adjustments as defined by the Local Government Budget Act.

The total difference between the original 2003 General Fund budget and the final amended version was an increase in budget appropriations of \$80,000. These additional expenditure appropriations were made possible by amendments to anticipated revenues which increased from \$25,607,000 on the original budget document to \$25,658,000 by December 31, 2003, due mostly to increases in ad valorem tax revenues which were mostly offset by reductions in golf revenues. Ad valorem tax revenues increased approximately 5.8%, or \$1,224,400 over the prior year; from \$21,018,100 in 2002 to \$22,245,500 in 2003.

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2003**

Capital Assets and Debt Administration

Capital Assets:

BREC's investment in capital assets for its governmental type activities as of December 31, 2003 amounts to \$59,249,758 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and moveable property consisting of furniture, machinery and equipment and live animals. Net accumulated depreciation represents approximately 45% of the original book value of all capital assets, and approximately 59% of depreciable capital assets. Capital Asset additions in 2004 were \$11,116,442, or approximately 19% of the book value of all depreciable assets.

Major capital asset events during the 2003 fiscal year included the following:

- Improvements at Clark Park Golf Course, including the addition of a driving range and totally rebuilding the 9-hole golf course. Total expenditures for construction were \$1,050,481, of which \$937,054 was spent in 2003.
- Construction of a ballfield complex at Oak Villa Park is in progress. \$644,200 was spent in 2003. Total expenditures to-date at Oak Villa are \$1,603,774.
- A recreation center was constructed at Perkins Road Park in 2003. Current year expenditures were \$788,791. Total expenditures to-date for improvements at Perkins Road Park over the course of the 10-year program are \$893,963.
- A recreation center was constructed at Stevendale Park in 2003. Current year expenditures were \$762,858. Total expenditures to-date for improvements at Stevendale Park over the course of the 10-year program are \$1,348,971.

Recreation and Park Commission for the Parish of East Baton Rouge
Capital Assets (Net of Depreciation)
December 31, 2003

	Governmental Activities
Land	\$25,008,508
Moveable Property and Equipment	4,119,817
Immoveable Property	<u>30,121,433</u>
<u>Total</u>	<u>59,249,758</u>

**Recreation and Park Commission for the Parish of East Baton Rouge
Management's Discussion and Analysis
December 31, 2003**

Long-Term Debt:

BREC had no long-term debt from the beginning to the end of the current fiscal year.

Requests For Information

This financial report is designed to provide a general overview of BREC finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the BREC Finance Department, P. O. Box 15887, Baton Rouge, LA 70895.

Recreation and Park Commission for the Parish of East Baton Rouge
Statement of Net Assets
December 31, 2003

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
Assets	
Cash and cash equivalents	\$11,530,236
Accounts receivable	1,028,896
Ad valorem taxes receivable	22,323,343
Investments securities	1,824,181
Prepaid and other	92,295
Inventory	499,732
Capital Assets - non depreciable	25,008,508
Capital Assets - depreciable, net	<u>34,241,250</u>
Total assets	<u>96,548,441</u>
Liabilities	
Accounts payable	1,386,224
Accrued expenses payable	117,157
Short term debt	9,400,000
Amounts held for others	395,972
Claims payable	535,254
Deferred revenues	39,102
Compensated absences	2,557,134
Net pension obligation	1,308,009
Life insurance payable	<u>234,000</u>
Total liabilities	<u>15,972,852</u>
Net Assets	
Invested in capital assets	59,249,758
Restricted for capital projects	9,735,728
Unrestricted	<u>11,590,103</u>
Total net assets	<u><u>80,575,589</u></u>

The accompanying notes are an integral part of this statement.

Recreation and Park Commission for the Parish of East Baton Rouge
Statement of Activities
Year Ended December 31, 2003

Function/Program	<u>Expenses</u>	<u>Charges for Service</u>	<u>Total Govern- mental Activities</u>
Primary Government			
Governmental activities			
Administrative and planning	\$6,420,456		(\$6,420,456)
Recreation department administrative	473,772		(473,772)
Maintenance department operations	7,139,736		(7,139,736)
Recreation program operations	15,759,888	\$6,218,758	(9,541,130)
Community outreach	618,588		(618,588)
Total governmental activities	<u>30,412,440</u>	<u>6,218,758</u>	<u>(24,193,682)</u>
General revenue			
Taxes - property			22,245,507
State revenue sharing			1,272,934
Earnings on investments			650,205
Donations and miscellaneous			<u>812,805</u>
Total general revenues			<u>24,981,451</u>
Change in net assets			787,769
Net Assets beginning of year			<u>79,787,820</u>
Net Assets end of year			<u>80,575,589</u>

The accompanying notes are an integral part of this statement.

Recreation and Park Commission for the Parish of East Baton Rouge
Balance Sheet
Governmental Funds
December 31, 2003

	General Fund	Capital Projects Fund	Total
Assets			
Cash and cash equivalents	\$7,350,006	\$4,180,230	\$11,530,236
Accounts receivable	782,991	245,905	1,028,896
Ad valorem taxes receivable	18,326,414	3,996,929	22,323,343
Investments securities		1,824,181	1,824,181
Prepaid and other	92,295		92,295
Inventory	452,238	47,494	499,732
Total assets	<u>27,003,944</u>	<u>10,294,739</u>	<u>37,298,683</u>
Liabilities			
Accounts payable	1,021,517	364,707	1,386,224
Accrued expenses payable		117,157	117,157
Short term debt	9,400,000		9,400,000
Amounts held for others	318,825	77,147	395,972
Claims payable	535,254		535,254
Deferred revenues	39,102		39,102
Total liabilities	<u>11,314,698</u>	<u>559,011</u>	<u>11,873,709</u>
Fund Balance			
Reserved for:			
Encumbrances	358,172	355,096	713,268
Inventory	452,238	47,494	499,732
Unreserved - designated		3,500,000	3,500,000
Unreserved - unrestricted	14,878,836	5,833,138	20,711,974
Total fund balance	<u>15,689,246</u>	<u>9,735,728</u>	<u>25,424,974</u>
Total liabilities and fund equity	<u>27,003,944</u>	<u>10,294,739</u>	<u>37,298,683</u>

The accompanying notes are an integral part of this statement.

Recreation and Park Commission for the Parish of East Baton Rouge
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Assets
December 31, 2003

Fund balances - total governmental funds		\$25,424,974
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 funds		
Governmental capital assets	108,507,018	
Less accumulated depreciation	<u>(49,257,260)</u>	59,249,758
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Compensated absences payable		(2,557,134)
Net pension obligation		(1,308,009)
Life insurance payable		<u>(234,000)</u>
Net assets of governmental activities		<u>80,575,589</u>

The accompanying notes are an integral part of this statement.

Recreation and Park Commission for the Parish of East Baton Rouge
Statement of Revenue, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2003

	General Fund	Capital Projects Fund	Total
Revenue			
Local sources:			
Ad valorem taxes	\$18,260,166	\$3,985,341	\$22,245,507
Recreation activity fees	6,218,758		6,218,758
Earnings on investments	417,597	232,608	650,205
Donations and Miscellaneous	198,652	542,607	741,259
State sources:			
Revenue sharing	1,032,286	240,648	1,272,934
Restricted grants-in-aid		34,972	34,972
Federal grants	36,574		36,574
Total revenue	<u>26,164,033</u>	<u>5,036,176</u>	<u>31,200,209</u>
Expenditures			
Current:			
Administrative and planning	5,942,683	113,234	6,055,917
Recreation department administrative	439,041		439,041
Maintenance department operations	6,153,365		6,153,365
Recreation program operations	12,272,899		12,272,899
Community outreach	603,502		603,502
Capital Outlay		5,156,954	5,156,954
Total expenditures	<u>25,411,490</u>	<u>5,270,188</u>	<u>30,681,678</u>
Net change in fund balances	752,543	(234,012)	518,531
Fund balance - beginning	14,936,703	9,969,740	24,906,443
Fund balance - ending	<u>15,689,246</u>	<u>9,735,728</u>	<u>25,424,974</u>

The accompanying notes are an integral part of this statement.

Recreation and Park Commission for the Parish of East Baton Rouge
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
December 31, 2003

Net Changes in fund balances - total governmental funds \$518,531

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

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

Capital outlay	4,891,572	
Depreciation expense	<u>(3,502,199)</u>	1,389,373

Some expenses reported in the statement of activity do not require
the use of current financial resources and, therefore, are not reported
as expenditures in governmental funds

Compensated absences	(647,988)	
Net pension obligation	(466,147)	
Life insurance	<u>(6,000)</u>	<u>(1,120,135)</u>

Change in net assets of governmental activities		<u>787,769</u>
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The accompanying notes are an integral part of this statement.

Recreation and Park Commission for the Parish of East Baton Rouge
General Fund
Statement of Revenue, Expenditures and Changes in Fund Balances -
Budget and Actual (GAAP Basis)
Year Ended December 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenue				
Local sources:				
Ad valorem taxes	\$17,125,000	\$18,000,000	\$18,260,166	\$260,166
Recreation activity fees	7,257,000	6,400,000	6,218,758	(181,242)
Earnings on investments	154,000	170,000	417,597	247,597
Donations and Miscellaneous	91,000	107,000	198,652	91,652
State sources:				
Revenue sharing	980,000	980,000	1,032,286	52,286
Federal grants			36,574	36,574
Total revenue	<u>25,607,000</u>	<u>25,657,000</u>	<u>26,164,033</u>	<u>507,033</u>
Expenditures				
Current:				
Salaries and wages	13,588,500	13,581,500	13,786,419	(204,919)
Payroll taxes and benefits	2,770,000	3,139,000	3,106,672	32,328
Materials and supplies	4,577,000	4,293,000	4,195,591	97,409
Utilities	1,462,500	1,417,500	1,293,338	124,162
All Other	3,338,000	3,385,000	3,029,470	355,530
Total expenditures	<u>25,736,000</u>	<u>25,816,000</u>	<u>25,411,490</u>	<u>404,510</u>
Net change in fund balances	(129,000)	(159,000)	752,543	911,543
Fund balance - beginning	<u>14,936,703</u>	<u>14,936,703</u>	<u>14,936,703</u>	
Fund balance - ending	<u>14,807,703</u>	<u>14,777,703</u>	<u>15,689,246</u>	<u>911,543</u>

The accompanying notes are an integral part of this statement.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies

The Recreation and Park Commission for the Parish of East Baton Rouge (the Commission) is a body corporate created by Act 246 of the 1946 Session of the Legislature and reorganized by Act 95 of the 1985 Legislature. The Commission has the power to sue and be sued, and to purchase and operate parks and recreation facilities not inconsistent with the laws of the State of Louisiana or the ordinances of the governing authority of East Baton Rouge Parish. The Commission is composed of nine members who serve without compensation.

A. Financial Reporting Entity

GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Commission is considered a primary government since it is a special purpose government that is legally separate and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. The Commission has no component units, defined by GASB Statement 14 as other legally separate organizations for which the elected commission members are financially accountable. There are no other primary governments with which the Commission has a significant relationship.

B. Basis of Presentation

Basic financial statements of the Commission consist of the government-wide statements on all of the non-fiduciary activities of the primary government and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the primary government. As a general rule, the effect of interfund activity has been removed from these statements. The government-wide presentation focuses primarily on the sustainability of the Commission as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

Governmental Activities represent programs which normally are supported by taxes and intergovernmental revenues.

The Commission does not engage in any *Business-Type Activities*.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect costs are not allocated by function for financial reporting in this statement. Program revenues include (1) charges to customers who purchase or use goods and services provided by a given function or segment, and (2) grants that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. This includes internally dedicated resources such as restricted property taxes.

FUND FINANCIAL STATEMENTS

Fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of GASB 34. Emphasis is now on major funds in either the governmental or business-type categories.

The daily accounts and operations of the Commission continue to be organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures, or expenses as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the primary government are grouped, into generic fund types and two broad fund categories as follows:

Governmental Activities Presented as Governmental Funds in the Fund Financial Statements:

General Fund - The General Fund is the general operating fund of the Commission. The General Fund accounts for all financial resources except those required to be accounted for in other funds. Transactions, which in previous years were recorded in special revenue and internal service funds, are now recorded in the general fund.

C. Basis of Accounting and Measurement Focus

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.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

C. Basis of Accounting and Measurement Focus (continued)

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.

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 fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Charges for services, fines and forfeits, and most governmental miscellaneous revenues, including investment earnings are recorded as earned since they are measurable and available. The Commission definition of available means expected to be received within sixty days of the end of the fiscal year.

Non-exchange transactions in which the Commission receives value without directly giving value in return includes property tax, special assessments, grants, entitlements and donations. Property taxes are considered measurable in the calendar year of the tax levy if collected soon enough to meet the availability criteria. Sales taxes and gross receipts business taxes are considered "measurable" when the underlying transaction occurs and meets the availability criteria. Anticipated refunds of such taxes are recorded as reductions of revenue when they are refunded. Special assessments are recognized as revenues only to the extent that individual installments are considered current assets in the governmental fund types. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources can be used.

D. Budget Practices

Annually the Commission adopts operating budgets for all governmental funds. Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). The proposed budget is prepared using the modified accrual basis of accounting. It is made available for public inspection at the Superintendent's office. The budget is introduced to the Commission at its meeting in October of every year. It is adopted by the Commission at the November meeting after a public hearing. Amendments are recommended to the Commission as needed, and approved at public meetings.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

D. Budget Practices (continued)

All appropriations lapse at year end. Formal budget integration is employed as a management control device during the year for the governmental funds. The board of commissioners reserves all authority to change the budgets.

ENCUMBRANCES

Encumbrances represent purchase orders, contracts, or other commitments; and are recorded in budgetary funds to reserve portions of applicable appropriations. The Commission uses a manual encumbrance accounting system for reporting purchase orders placed late in the year for which goods were not received by December 31st. At year end, outstanding purchase orders are established as a reservation of fund balance for reporting purposes only, since they do not constitute expenditures or liabilities.

E. Assets, Liabilities, and Fund Equity

CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash and cash equivalents includes cash-on-hand, cash for the payroll cash account, petty cash, and brokerage accounts that contain money market account balances and investment in stock equities.

Bank account balances are maintained at a local bank into which monies are deposited and from which most disbursements are made. A brokerage account is maintained to account for activities related to a stock portfolio.

Investments are reported at fair market value. Securities are valued at the last reported sales price prior to the year end.

INVENTORIES AND PREPAID ITEMS

Merchandise inventories (items held for resale) and supplies inventories are valued at the lower of cost or market, using a moving weighted average. In the governmental fund types, inventoried items are recorded as expenditures when consumed rather than when purchased. Inventory balances at year-end are equally offset by fund balance reserves.

INTERFUND RECEIVABLES AND PAYABLES

Interfund transactions are limited generally to transactions involving non-cash transfers between funds. These amounts are reported as "due to/from" other funds". The Commission does not make a practice of making interfund cash loans, short-term or long-term.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Fund Equity (continued)

ACCOUNTS RECEIVABLE

Accounts receivable consists primarily of ad valorem taxes receivable. Taxes are reported net of an allowance for uncollectibles.

CAPITAL ASSETS

Capital assets, which include land and land improvements, buildings, equipment and infrastructure assets (roads, parking lots, lighting, bridges, drainage systems, etc.), are reported in the governmental activities columns in the government-wide financial statements. Capitalization thresholds are defined by Commission policy in procedure manuals of the Finance department, and are generally for items greater than \$1,000.

All assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extended its useful life are not capitalized. Major outlays for capital assets and improvements are capitalized in the year that the expenditure is made. *Depreciation* on all capital assets, excluding land and improvements, is calculated on the straight-line method over the estimated useful life of the assets.

All infrastructure assets purchased by the Commission since 1982 are recorded at actual cost as capital assets and depreciated accordingly. Infrastructure assets acquired prior to 1982 were recorded at estimated values prepared in 1982.

LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the government-wide statement of net assets, but not in the governmental funds.

COMPENSATED ABSENCES

All employees earn vacation leave at the rates from 100 hours per 2,080 paid hours per year (.0481 per paid hour) to 140 hours per 2,080 paid hours per year (.0673 per paid hour) depending upon length of service. A maximum of 45 days (360 hours) may be carried over from one year to the next. Upon resignation, retirement, or death, a maximum amount equal to 45 days (360 hours) of earned vacation leave is paid to the employee (or heirs) at the employee's current rate of pay.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 1 - Summary of Significant Accounting Policies (continued)

E. Assets, Liabilities, and Fund Equity (continued)

Employees earn 120 hours per 2,080 paid hours per year (.0577 per paid hour) of sick leave each year, which may be accumulated without limit. Accumulated sick leave is not paid to an employee leaving service prior to retirement. A full-time employee (or heirs) may be paid for a maximum of 120 days (960 hours) of sick leave (or a combination of sick and vacation leave not to exceed 120 days) upon the employee's retirement (or death, if retirement eligible). Part-time employees are not eligible for pay for sick leave.

Commission employees of certain job classifications may accrue compensatory time in lieu of overtime payment up to a maximum of 40 hours. Comp time is paid by the Commission upon termination, resignation, retirement or death, up to the maximum balance of 40 hours.

The cost of leave privileges is recognized as a current-year payroll expenditure in the General Fund when leave is actually taken, or when employees (or their heirs) are paid for accrued unused leave. In the government-wide financial statements the total compensated absences liability is recorded as an expense and a long-term obligation and allocated on a functional basis.

RESERVES AND DESIGNATIONS OF FUND EQUITY

Some portions of fund balance in the governmental fund types are *reserved* to indicate that a portion of equity is legally restricted to a specific future use and is not available for appropriation or expenditure. *Designated* portions of fund balance indicate tentative future spending plans, which may be changed and are subject to subsequent authorization before expenditures can be made. Designations are made for specific indicated purposes included in the title and require budgetary appropriations in subsequent years.

NET ASSETS

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation reduced by the outstanding balance of any debt proceeds used for the acquisition, construction, or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use by external parties such as creditors, grantors, laws or regulations of other governments.

ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets and liabilities and disclosure of assets and liabilities at the date of the financial statements. They may also affect reported amounts of revenues and expenses of proprietary funds and the government-wide financial statements during the reporting period. Actual results could differ from these estimates.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 2 - Cash, Cash Equivalents and Investments

A. Deposits

Cash and cash equivalents, except for petty cash, consists of bank demand deposit (checking) accounts. The Commission maintains interest-bearing checking accounts secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The value of pledged securities plus federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The deposits are classified as Category I under GASB 3 as the collateral is held in a federal reserve pledge account in the Commission's name.

Cash and cash equivalents also consist of certificates of deposit regardless of the time to maturity on the Statement of Net Assets.

B. Cash and Cash Equivalents Summary

At December 31, 2003 the Commission has cash and cash equivalents as follows:

	<u>Bank Balance</u>	<u>Book Balance</u>
Cash and Cash Equivalents	<u>\$9,225,202</u>	<u>\$11,530,236</u>

C. Investment Securities

At December 31, 2003 the Commission had investment securities consisting of:

	<u>Cost</u>	<u>Fair Value</u>
Marketable Equity Securities	<u>\$460,791</u>	<u>\$1,824,181</u>

Marketable equity securities at December 31, 2003, consist of 48, 613 shares of publicly traded common and preferred stock among a diverse cross section of corporations. The stock was originally acquired by donation in 1989. Additional shares have been acquired due to splits and stock dividends. The stock is in the custody of brokerage firm that is a member of the Securities Investor Protection Corporation (Category 1). Fair values are based upon quoted prices of the New York Stock Exchange as of the close of business on December 31, 2003.

The Commission applies Governmental Accounting Standards Board statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* in accounting for its investment securities. Under this pronouncement, the marketable equity securities are reported at fair value and the corresponding change in value is recognized in the statement of revenues, expenditures and changes in fund balances.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 3 - Property Taxes

The 1974 Louisiana Constitution (Article 7, Section 18) provided that land and improvements for residential purposes be assessed at 10% of fair market value; other property and electric cooperative properties, excluding land, are to be assessed at 15%; and public service properties, excluding land, are to be assessed at 25% of fair market value. Fair market value is determined by the elected assessor of the parish on all property subject to taxation except public service properties, which are valued by the Louisiana Tax Commission (LRS 47:1957). The correctness of assessments by the assessor is subject to review and certification by the Louisiana Tax Commission. The assessor is required to reappraise all property subject to taxation at intervals of not more than four years. Year 2000 was the last reassessment year.

The 2003 property tax calendar is as follows:

Levy date	June 24, 2002
Millage rates adopted	June 24, 2002
Tax bills mailed	November 30, 2003
Due date	December 31, 2003
Lien date	January 1, 2004

State Law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. If taxes are not paid by the due date, taxes bear interest at the rate of one and one-fourth percent per month until the taxes are paid (LRS 47:2101). After notice is given to the delinquent taxpayers, the Sheriff is required by the Constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed (LRS 47:2181). Therefore, there are no delinquent taxes at year-end.

Property taxes are considered measurable in the calendar year of the tax levy. Accordingly, the entire tax roll less an estimate for uncollectible taxes is recorded as taxes receivable in the current calendar year. Uncollectible taxes are those taxes which based on past experience will not be collected in the subsequent year and are primarily due to subsequent adjustments to the tax roll.

At the governmental level: Property taxes that are measurable and available (receivable within the current period and collected within the current period or within 60 days thereafter to be used to pay liabilities of the current period) are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded, net of estimated uncollectible amounts, as deferred revenues in the year of levy. Such deferred revenues are recognized as revenue in the fiscal year in which they become available.

At the entity-wide level: Property taxes are recognized in the year of the levy net of uncollectible amounts.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 3 - Property Taxes (Continued)

Property taxes receivable and estimated uncollectible taxes by fund type for governmental funds are as follows:

	<u>Property Taxes Receivable</u>	<u>Estimated Uncollectible Property Taxes</u>	<u>Net Property Taxes Receivable</u>
General Fund	\$18,766,322	\$439,908	\$18,326,414
Capital Improvements Fund	<u>4,092,837</u>	<u>95,908</u>	<u>3,996,929</u>
<u>Total</u>	<u>22,859,159</u>	<u>535,816</u>	<u>22,323,343</u>

Note 4 - Changes in Capital Assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	<u>Balance at January 1, 2003</u>	<u>Additions</u>	<u>Adjustments & (Deletions)</u>	<u>Balance at December 31, 2003</u>
Governmental Activities				
Capital assets not depreciated				
Land	<u>\$19,835,463</u>	<u>\$5,173,045</u>		<u>\$25,008,508</u>
Capital assets being depreciated				
Immoveable property	66,570,252	4,724,054	(\$232,129)	71,062,177
Moveable property and equipment	<u>14,067,109</u>	<u>1,219,343</u>	<u>(2,850,119)</u>	<u>12,436,333</u>
<u>Total capital assets not depreciated</u>	<u>80,637,361</u>	<u>5,943,397</u>	<u>(3,082,248)</u>	<u>83,498,510</u>
Less accumulated depreciation for				
Immoveable property	(38,304,922)	(2,635,822)		(40,940,744)
Moveable property and equipment	<u>(7,450,139)</u>	<u>(866,377)</u>		<u>(8,316,516)</u>
<u>Total accumulated depreciation</u>	<u>(45,755,061)</u>	<u>(3,502,199)</u>		<u>(49,257,260)</u>
Total Capital Assets Being Depreciated, Net	<u>34,882,300</u>	<u>2,441,198</u>	<u>(3,082,248)</u>	<u>34,241,250</u>
Total Capital Assets, Net	<u>54,717,763</u>	<u>7,614,243</u>	<u>(3,082,248)</u>	<u>59,249,758</u>

Depreciation expense for 2003 is charged to the following functions in the statement of activities:

Administrative and planning	\$189,044
Maintenance department operations	316,852
Recreation, program operations	<u>2,996,303</u>
	<u>3,502,199</u>

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 5 - Defined Benefit Plans

Substantially all of the Commission's full time employees participate in the City of Baton Rouge and Parish of East Baton Rouge Employees Retirement System (CPERS), an agent multiple employer public employee retirement system. The system was created under City of Baton Rouge Ordinance No. 235 on December 31, 1953, and is governed by a board of trustees consisting of seven members, consisting of four members elected by the general membership, the city-parish finance director, and two members appointed by the mayor-president.

Plan Description

The CPERS provides retirement benefits as well as disability and survivor benefits. Benefits are established and amended by state statute. The CPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the City of Baton Rouge, Parish of East Baton Rouge Employees' Retirement System, P. O. Box 1471, Baton Rouge, Louisiana 70821, or by calling (225) 389-3272.

Funding Policy

The City-Parish government requires that the Retirement System be funded on an actuarially sound basis. Under the current plan, both employee and employer contributions are made to properly fund the system. In 2003, the employees made a mandatory contribution of 8% of gross earnings. The actuarially determined employer contribution rate during the 2003 fiscal year was 16.66% of active payroll.

The Commission's required contributions for the year ended December 31, 2003 was \$867,318.

Annual Pension Cost and Net Pension Obligation

The following information regarding the Commission's portion of the Retirement System's net pension obligation is based on the December 31, 2003, actuarial valuation:

Annual required contribution	\$1,738,006
Interest on net pension obligation	67,349
Adjustment to annual required contribution	<u>(64,296)</u>
	1,741,059
Contributions made	<u>1,274,912</u>
Increase (decrease) in net pension obligation	466,147
Net pension obligation beginning of year	<u>841,862</u>
Net pension obligation end of year	<u><u>1,308,009</u></u>

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 5 - Defined Benefit Plans (continued)

Annual Pension Cost and Net Pension Obligation (continued)

The annual required contribution for the current year was determined as part of the December 31, 2003, actuarial valuation using the Entry Age Normal Actuarial Cost Method with Unfunded Actuarial Accrued Liability. This method compares the theoretical reserve for service prior to the valuation date to plan assets. With this method, the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over both the earnings and service of the individual between entry age (date of membership in the system) and assumed exit age.

Significant actuarial assumptions used in the valuation include: (1) a rate of return on the investment of present and future assets of 8.0% per year, compounded annually; (2) projected salary increases of 4.0% per year compounded annually, attributable to inflation; (3) additional projected salary increases based on years of service and age attributable to seniority and merit; (4) no post-retirement benefit increases. The actuarial value of assets was determined using the Expected Value Method. This asset valuation method involves the determination of expected value, based on the actuarial asset value at the beginning of the previous year. The difference between the expected value and the market value for total (unrealized and realized) investment gains/losses is then reflected at the rate of 20% per year for each of the subsequent five years. This technique smooths the volatility of market value for investments.

The initial Unfunded Actuarial Accrued Liability (UAAL) will be amortized over 30 years (closed amortization period) as a level percentage of payroll, assuming payroll increases of 4% per year during the first 15 years of the amortization period and 0% per year during the remaining 15 years. Each change in UAAL will be amortized over the greater of 20 years or the remaining amortization period for the initial UAAL, as a level percent of payroll assuming payroll increases 0% per year during the final 15 years of the amortization period and 4% per year for all years prior to the final 15 years. The remaining amortization period at December 31, 2003, is 21 years.

Four-Year Trend Information for the Retirement System (Commission Only)

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of APC</u> <u>Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
December 31, 2003	\$1,741,059	73%	\$1,308,009
December 31, 2002	1,231,783	70%	841,862
December 31, 2001	998,689	76%	477,397
December 31, 2000	604,091	112%	238,541

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 6 - Compensation to Commissioners

All members of the Commission serve without compensation.

Note 7 - Post Employment Benefits

Commission employees are eligible to continue participation in health, dental and life insurance programs upon retirement.

A. Health and Dental Benefits

All full-time employees of the Commission at their option participate in the employees' group health program. Upon retirement the employee may continue his coverage with the same benefits payable to active employees. Retirees pay a contribution based on years of service, with a maximum contribution of 32% of the base plan; and 100% of the additional cost if they choose a plan with higher coverage benefits. BREC expenditures for health and medical benefits for retirees were \$104,372 in 2003. In 2003, there were 49 retirees participating in the health plan.

B. Life Insurance Benefits

The Commission provides a \$4,000 life insurance benefit to employees who retired prior to January 1, 1996, a \$5,000 benefit to those who retired after January 1, 1996 and before January 1, 2004, and a \$10,000 benefit to those who retired after January 1, 2004. This benefit is payable to the retiree's survivors upon the retiree's death. BREC paid \$4,000 in 2003 for retiree life insurance benefits. As of December 31, 2003, there were 60 BREC employees eligible for life insurance.

C. Other Benefits

The Commission provides a supplemental payment to retirees based on the years of service and number of years retired. This supplement is paid in installments in the second, third and fourth quarter of the year. It is contingent on annual approval by the Commission. A retiree may receive a maximum supplement up to \$1,250; and the minimum supplement is \$30 per year. BREC paid \$30,725 to retirees in 2003 for supplemental pay benefits. In 2003, there were 54 retired employees eligible for benefits.

Note 8 - Short-Term Debt

As of December 31, 2003 the Commission had an outstanding note payable to Union Planters Bank of Baton Rouge for \$9,400,000. The original date was July 18, 2003 and matured on March 1, 2004. The interest rate is .91%. The note is secured from a pledge of all revenues for 2003, and the purpose is for tax anticipation. Total interest paid on short-term borrowings for 2003 was \$53,938.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 8 - Short-Term Debt (continued)

Short-term debt activity during 2003 is as follows:

Beginning balance	\$9,800,000
Debt retired	(9,800,000)
Debt issued	<u>9,400,000</u>
Ending balance	<u>9,400,000</u>

Note 9 - Long Term Debt

	<u>Balance</u> <u>January 1, 2003</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance</u> <u>December 31, 2003</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated absences payable	\$1,909,146	\$1,319,330	(\$671,342)	\$2,557,134	\$750,000
Life insurance payable	228,000	6,000		234,000	20,000
Net pension obligation	<u>841,862</u>	<u>1,741,059</u>	<u>(1,274,912)</u>	<u>1,308,009</u>	<u> </u>
	<u>2,979,008</u>	<u>3,066,389</u>	<u>(1,946,254)</u>	<u>4,099,143</u>	<u>770,000</u>

Note 10 - Receivables and Payables

A. Balances due to/from other funds at December 31, 2003

There were no balances due to/from between funds of the Commission at December 31, 2003.

B. Included in accounts receivable are amounts due from other governmental agencies:

	<u>Federal</u>	<u>State</u>	<u>Other</u>	<u>Total</u>
Governmental Activities				
General Fund		\$688,109	\$94,882	\$782,991
Capital Impr Fund	<u>\$84,273</u>	<u>160,432</u>	<u>1,200</u>	<u>245,905</u>
<u>Totals</u>	<u>84,273</u>	<u>848,541</u>	<u>96,082</u>	<u>1,028,896</u>

Note 10 - Risk Management

A. Types of Risk

The Commission is self-insured for general liability, worker's compensation, and unemployment compensation.

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 10 - Risk Management (continued)

A. Types of Risk (continued)

For buildings, the Commission is self-insured in the aggregate on the first \$250,000. For vehicles, the Commission is self-insured on the first \$50,000 per occurrence. There were no settlements that exceeded insurance coverage in the past three years.

B. Accounting for Risk

In accordance with GASB Statement #10 "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*" the Commission accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting. Claims paid under the self-insurance risk activities are recorded as expenditures. There were no major changes in insurance coverage for the year ended December 31, 2003.

C. Contingent Liabilities - Claims and Judgments

The Commission is a defendant in various tort claims and lawsuits involving general liability, automobile liability, personnel suits and contractual matters. In accordance with FASB Statement No. 5, *Accounting for Contingencies*, litigation and other claims against the Commission for which there is greater than a reasonable probability of loss as of the balance sheet date.

An amount of \$234,000 has been recorded as a long-term obligation on the Government-wide Statement of Net Assets for estimated claims and judgments for risk management purposes. Incremental claim costs are required by GASB Statement No. 30, and account for approximately 2% of that total. It is the government's policy to pay judgments against the Commission on a current basis from available financial resources of the General Fund.

D. Employee Benefits

The Commission provides medical insurance benefits to its full-time employees who choose to participate. In 2003 the Commission contributed approximately 65% of the cost of the base plan; and employees approximately 35 %; additionally, employees pay the full cost of additional premiums for plans with higher coverage benefits. The Commission also provides certain life insurance benefits for retired employees which it self-insures. All of the Commission's full-time employees become

Recreation and Park Commission for the Parish of East Baton Rouge
Notes to the Financial Statements
December 31, 2003

Note 10 - Risk Management (continued)

D. Employee Benefits (continued)

eligible for these benefits when they reach normal retirement age while working for the Commission. Health care benefits are provided through an insurance company who's monthly premiums are paid jointly by the retiree and the Commission. The Commission's cost of providing these benefits are recognized as expenditures when the payments or monthly premiums are paid. Cost to the Commission for employee health benefits in 2003 was \$671,847.

Note 11 - Subsequent Events

There are no subsequent events to the date of this report that would materially affect the stated value of assets or liabilities, or alter the financial position of the Commission as represented in these financial statements.

Note 12 - Fund Designations

Designations for the Capital Project Fund as of December 31, 2003, are as follows:

Clark Park Golf Improvements	\$500,000
Recreation Building Construction	500,000
Zoo Tiger Exhibit	1,000,000
Natural Resources Management	<u>1,500,000</u>
	<u>3,500,000</u>

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J. CHARLES PARKER, C.P.A.
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May 31, 2004

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

Recreation and Park Commission
for the Parish of East Baton Rouge
Baton Rouge, Louisiana

We have audited the financial statements of the governmental activities and each major fund, of the Recreation and Park Commission for the Parish of East Baton Rouge, as of and for the year ended December 31, 2003, which collectively comprise the Recreation and Park Commission for the Parish of East Baton Rouge's basic financial statements and have issued our report thereon dated May 31, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Recreation and Park Commission for the Parish of East Baton Rouge's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and is described in the accompanying schedule of findings and questioned cost as item 2004-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Recreation and Park Commission for the Parish of East Baton Rouge's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Recreation and Park Commission for the Parish of East Baton Rouge, management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities 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 Louisiana Auditor as a public document.

Yours truly,

Hawthorn, Weymouth, & Carroll L.L.P.

**Recreation and Park Commission for the Parish of East Baton Rouge
Schedule of Findings and Questioned Costs and Prior Year Findings
Year Ended December 31, 2003**

Compliance

2004-1 Audit Report

Condition

The audit report is to be submitted no more than six months after the end of the fiscal year. The report has been delayed due to the unforeseen issues in the conversion of GASB 34.

Recommendation

Planning and preparation should be made to anticipate circumstances which would delay report beyond the required filing date.

Management's Response

Management agrees with the recommendation.

Corrective Action

Proper planning and scheduling will be implemented and monitored to insure the report is timely filed in the future.