

**Terrebonne Parish Recreation District No. 2/3
Houma, Louisiana**

Annual Financial Report
As of and for the
Year Ended December 31, 2020

Terrebonne Parish Recreation District No. 2/3

**Annual Financial Report
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Terrebonne Parish Recreation District No. 2/3 (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Terrebonne Parish Recreation District No. 2/3, as of December 31, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8 and the Budgetary Comparison Schedule on page 25 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

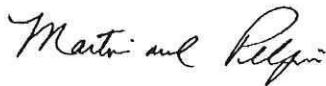
Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to District Head on page 26 is presented for purposes of additional analysis and is not a required part of the basis financial statements.

The Schedule of Compensation, Benefits, and Other Payments to District Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to District Head is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Houma, Louisiana
May 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Terrebonne Parish Recreation District No. 2/3
Management's Discussion and Analysis
December 31, 2020

As management of the Terrebonne Parish Recreation District No. 2/3 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Government-Wide Financial Statements (Statement of Net Position and the Statement of Activities) provide information about the governmental activities as a whole and present a longer-term view of the finances. The Fund Financial Statements (Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund) tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the operations in more detail than the Government-Wide statements by providing information about the most significant funds.

Our auditor has provided assurance in his independent auditor's report that the financial statements are fairly stated. The auditor, regarding the Required Supplemental Information and the Other Information, is providing varying degrees of assurance. A user of this report should read the Independent Auditor's Report carefully to ascertain the level of assurance being provided for each of the parts in the Annual Financial Report.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the finances, in a manner like a private-sector business.

The statement of net position presents information on all the assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as an indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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.

Terrebonne Parish Recreation District No. 2/3
Management's Discussion and Analysis
December 31, 2020

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not as a whole. Some funds are required to be established by State laws.

The District utilizes mainly the governmental type of fund with the following accounting approach. Most of the basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliations on pages 13 and 14.

FINANCIAL HIGHLIGHTS

Our financial statements provide these insights into the results of this year's operations:

- Terrebonne Parish Recreation District No. 2/3's assets exceeded its liabilities by \$2,738,079 (net position) as of December 31, 2020.
- Revenues exceeded expenditures by \$437,086 during the year.
- Capital assets totaling \$8,841,567, net of accumulated depreciation, were transferred to the Terrebonne Parish Consolidated Government.

The Statement of Net Position and the Statement of Activities reports all transactions as governmental activities. All of the basic governmental services are reported as this type. Property taxes finance most of these activities.

Terrebonne Parish Recreation District No. 2/3
Management's Discussion and Analysis
December 31, 2020

BASIC FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of an entity's financial position. The District's net position was \$2,738,079 as of December 31, 2020. The largest portion of the District's net position, \$1,816,316 or 66%, reflects its net investment in capital assets.

The District's Net Position

	December 31,	
	2020	2019
ASSETS		
Cash	\$ 943,154	\$ 1,128,685
Taxes receivable	411,277	644,348
Due from other governmental units	1,694,303	736,939
Other	78,163	2,661
Capital assets	4,044,605	13,696,151
Accumulated depreciation	(2,228,289)	(2,583,695)
	<hr/>	<hr/>
Total assets	4,943,213	13,625,089
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	574,637	101,068
Payroll tax liabilities	8,376	7,273
	<hr/>	<hr/>
Total liabilities	583,013	108,341
	<hr/>	<hr/>
DEFERRED INFLOWS OF RESOURCES		
Deferred ad valorem taxes revenue	1,622,121	1,547,986
	<hr/>	<hr/>
NET POSITION		
Net investment in capital assets	1,816,316	11,112,456
Unrestricted	921,763	856,306
	<hr/>	<hr/>
Total net position	<u>\$ 2,738,079</u>	<u>\$ 11,968,762</u>

The District's net position decreased as a result of this year's operations. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by \$65,457 during the year. The decrease in net investment in capital assets is the result of the transfer of the Bayou Country Sports Park capital assets to the Terrebonne Parish Consolidated Government. The balance in net position represents the accumulated results of all past years' operations.

Terrebonne Parish Recreation District No. 2/3
Management's Discussion and Analysis
December 31, 2020

During the year, the District's net position decreased by \$9,230,683. The elements of the decrease are as follows:

The District's Change in Net Position

	For the Year Ended December 31,	
	2020	2019
REVENUES		
Ad valorem taxes	\$ 1,542,449	\$ 1,298,939
Intergovernmental:		
State of Louisiana revenue sharing	34,479	52,069
Other	16,834	23,981
Total revenues	<u>1,593,762</u>	<u>1,374,989</u>
EXPENDITURES		
Depreciation	460,111	439,826
General operating	333,632	403,394
Personal services	362,933	364,863
Total expenditures	<u>1,156,676</u>	<u>1,208,083</u>
	437,086	166,906
OTHER FINANCING USES		
Transfer to TPCG	<u>(9,667,769)</u>	-
CHANGE IN NET POSITION	<u><u>\$ (9,230,683)</u></u>	<u><u>\$ 166,906</u></u>

As indicated above, net position decreased by \$9,230,683. The increase in the change in net position, before other financing uses, from 2019 to 2020 is mainly attributed to the increase in ad valorem taxes revenue and the decrease in general operating expenses.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (FFS)

The District uses funds to help it control and manage money for particular purposes. Looking at individual funds helps you consider whether the District is being accountable for the resources provided to it but may also give you more insight into the overall financial health.

The General Fund includes revenue and expenditures necessary to the operation of the District's office such as personnel, benefits, and operation and maintenance of facilities and vehicles. The General Fund reflected \$1,593,762 in total revenues, including \$1,542,449 in property taxes. Total current expenditures were \$641,555. Capital outlay was \$5,078. After a \$65,457 excess of revenues over expenditures and other financing uses for the year, the ending fund balance was \$94,763, all in the unassigned category.

Terrebonne Parish Recreation District No. 2/3
Management's Discussion and Analysis
December 31, 2020

CAPITAL ASSETS

As of December 31, 2020, the District had \$1,814,653 invested in capital assets.

	<u>2020</u>	<u>2019</u>
Capital assets	\$ 4,044,605	\$ 13,696,151
Less accumulated depreciation	<u>(2,228,289)</u>	<u>(2,583,695)</u>
	<u>\$ 1,816,316</u>	<u>\$ 11,112,456</u>

Depreciation expense for the year is \$460,111. The District spent \$5,078 in capital asset additions during the year. Capital assets related to the Bayou Country Sports Park totally \$8,841,567, net of accumulated depreciation, was transferred to the Terrebonne Consolidated Government in September 2020.

BUDGETARY HIGHLIGHTS

The District amended its budget once during the fiscal year. The budget for revenues was \$1,334,735, and the budget for expenditures was \$1,277,520.

The District's actual revenues were greater than the budgeted revenues by \$259,027, a favorable variance of 19.4%. The District's actual expenditures were less than the budgeted expenditures by \$575,877, a favorable variance of 45.1%.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to show accountability for the money it received. If you have any questions concerning any of the information provided in this report or have a request for additional financial information, contact:

Board of Commissioners
412 Westview Drive
Houma, LA 70364
(985) 868-7321

FINANCIAL STATEMENTS

Terrebonne Parish Recreation District No. 2/3
Statement of Net Position
December 31, 2020

Assets	
Cash	\$ 943,154
Taxes receivable	411,277
Due from other governmental units	1,694,303
Other	<u>78,163</u>
Total Current Assets	<u>3,126,897</u>
Capital assets	4,044,605
Accumulated depreciation	<u>(2,228,289)</u>
Net Capital Assets	<u>1,816,316</u>
Total Assets	<u>4,943,213</u>
Liabilities	
Accounts payable	574,637
Payroll tax liabilities	<u>8,376</u>
Total Current Liabilities	<u>583,013</u>
Deferred Inflows of Resources	
Deferred ad valorem taxes revenue	<u>1,622,121</u>
Net Position	
Net investment in capital assets	1,816,316
Unrestricted	<u>921,763</u>
Total Net Position	<u><u>\$ 2,738,079</u></u>

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Statement of Activities
Year Ended December 31, 2020

	<u>Government Activities</u>
REVENUES	
Recreational activities:	
Charges for services	\$ 13,703
EXPENSES	
Recreational activities:	
Depreciation	460,111
General operating	333,632
Personnel services and benefits	362,933
TOTAL EXPENSES	<u>1,156,676</u>
GENERAL REVENUES	
Ad valorem taxes	1,542,449
State revenue sharing	34,479
Interest income	3,131
TOTAL GENERAL REVENUES	<u>1,580,059</u>
	437,086
OTHER FINANCING USES	
Transfer to Terrebonne Parish Consolidated Government	<u>(9,667,769)</u>
CHANGE IN NET POSITION	(9,230,683)
NET POSITION - Beginning	<u>11,968,762</u>
NET POSITION - Ending	<u><u>\$ 2,738,079</u></u>

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
 Balance Sheet
 Governmental Fund Type – General Fund
 December 31, 2020

Assets

Cash	\$ 943,154
Taxes receivable	411,277
Due from other governmental units	1,694,303
Other	78,163

Total Current Assets	\$ 3,126,897
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Liabilities

Accounts payable	\$ 574,637
Payroll tax liabilities	8,376

Total Current Liabilities	583,013
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Deferred Inflows of Resources

Deferred ad valorem taxes revenue	1,622,121
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Fund Balance

Unassigned	921,763
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Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 3,126,897
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See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Statement of Revenues, Expenditures, and
Changes in Fund Balance –
Governmental Fund Type – General Fund
Year Ended December 31, 2020

Revenues	
Ad valorem taxes	\$ 1,542,449
Intergovernmental:	
State of Louisiana revenue sharing	34,479
Rental fees	11,041
Concession sales	2,662
Interest income	<u>3,131</u>
Total Revenues	<u>1,593,762</u>
Expenditures	
Current:	
General government:	
Ad valorem tax deductions	<u>54,970</u>
Culture and recreation:	
Personnel services and benefits	362,933
Supplies and materials	143,934
Professional fees	36,127
Other services and charges	71,096
Repairs and maintenance	<u>27,505</u>
Total culture and recreation	<u>641,595</u>
Capital outlay	<u>5,078</u>
Total Expenditures	<u>701,643</u>
	892,119
Other Financing Uses	
Transfer to Terrebonne Parish Consolidated Government	<u>(826,662)</u>
Change in Fund Balance	65,457
Fund Balance	
Beginning of year	<u>856,306</u>
End of year	<u><u>\$ 921,763</u></u>

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
December 31, 2020

Fund balance - governmental fund	\$ 921,763
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets of \$4,044,605 net of accumulated depreciation of \$2,228,289, are not financial resources and, therefore, are not reported in the governmental fund.	<u>1,816,316</u>
Net position of governmental activities	<u>\$ 2,738,079</u>

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balance – Governmental Fund to the
 Statement of Activities
 Year Ended December 31, 2020

Change in fund balance - governmental fund	\$	65,457
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental fund reports capital outlays as expenditures whereas in the statement of activities these costs are depreciated over their useful lives.

Depreciation expense	(460,111)		
Transfer of capital assets to primary government	(8,841,107)		
Capital outlay	<u>5,078</u>		<u>(9,296,140)</u>
Change in net position		\$	<u><u>(9,230,683)</u></u>

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3

Notes to the Financial Statements

Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Terrebonne Parish Recreation District No. 2/3 (the District) is governed by a Board of Commissioners appointed by the Terrebonne Parish Consolidated Government organized under Louisiana Revised Statute 33:4562(A). The District provides for the construction, improvement, maintenance, and operations of recreation facilities within the boundaries of Recreation District No. 2/3, including the purchase of equipment.

Because the Terrebonne Parish Consolidated Government appoints the governing board and thusly can impose its will, the Terrebonne Parish Recreation District No. 2/3 was determined to be a component unit of the Terrebonne Parish Consolidated Government, the governing body of the parish and the governmental body with financial accountability. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Consolidated Government, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

The accounting policies of the District conform to accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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, 2020. The District has reviewed all of its activities and determined that there are no potential component units that should be included in its financial statements.

B. BASIS OF PRESENTATION

GASB Statements establish standards for external financial reporting for all state and local governmental entities which includes a statement of net position and a statement of activities. It requires the classification of net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that

Terrebonne Parish Recreation District No. 2/3

Notes to the Financial Statements

Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

portion of the debt is included in the same net position component as the unspent proceeds.

Restricted – This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component of net position consists of net position that does not meet the definition of restricted or net investment in capital assets.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied. It establishes fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are defined as follows:

Nonspendable – This component of fund balance includes amounts that cannot be spent due to form, including inventories and prepaid amounts. Also included are amounts that must be maintained intact legally or contractually.

Restricted – This component of fund balance includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed – This component of fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The Board of Commissioners must vote on commitments.

Assigned – This component of fund balance is intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. The Board of Commissioners can vote on applicable assigned amounts.

Unassigned – This component of fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Stabilization Funds – This component of fund balance covers such things as revenue shortfalls, emergencies, or other purposes. The authority to set aside resources often comes from a statute, ordinance, or constitution.

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

Terrebonne Parish Recreation District No. 2/3

Notes to the Financial Statements

Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Government-wide Financial Statements:

The government-wide financial statements include the Statement of Net Position 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 taxes.

Fund Financial Statements:

The daily accounts and operations of the District are organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund are 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.

The government-wide financial statements display information as a whole. These statements include all the financial activities. Information contained in these statements reflects the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed).

Terrebonne Parish Recreation District No. 2/3
Notes to the Financial Statements
Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

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 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 2020 property taxes which are being levied to finance the 2021 budget will be recognized as revenue in 2021. The 2020 tax levy is recorded as deferred inflows of resources in the District's 2020 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. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Terrebonne Parish Recreation District No. 2/3

Notes to the Financial Statements

Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. 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 positions or operations of the funds.

F. 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 \$1,000 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.

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 Position.

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

Facilities and improvements	10 - 40 years
Equipment and furniture	5 - 20 years
Automobiles	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.

G. 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. Any amendment involving

Terrebonne Parish Recreation District No. 2/3

Notes to the Financial Statements

Year Ended December 31, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budget once during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year-end.

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

H. VACATION AND SICK LEAVE

Accumulated vacation and sick leave are recorded as expenditures of the period in which paid. Employees earn between 96 to 136 hours of vacation leave, depending on the 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 carry forward provisions.

Employees earn 56 hours sick leave per year. Unused sick leave cannot be carried forward to future years. There is no material unpaid vacation and sick leave at year-end.

I. 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.

J. RECENT PRONOUNCEMENT

Statement No. 87, "Leases", increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. Management has not yet determined the effect of this Statement on the financial statements.

Terrebonne Parish Recreation District No. 2/3
Notes to the Financial Statements
Year Ended December 31, 2020

NOTE 2 – DEPOSITS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or other federally insured investments, certificates of deposit of any bank domiciled or having a branch 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 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 Balance	Reported Amount
Cash and cash equivalents	\$ 942,738	\$ 943,154

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, 2020, \$692,738 of the District's bank balance was exposed to 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.

Cash was adequately collateralized in accordance with state law by securities held by an unaffiliated bank for the accounts 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 credit risk. Even though the pledged 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 ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units as of December 31, 2020 consists of the following:

Terrebonne Parish Tax Collector - December 2019/ Collections remitted to the District in January 2020	
Ad valorem taxes	\$ 1,122,582
Due from Terrebonne Parish Consolidated Government	560,228
State of Louisiana - State revenue sharing	11,493
	\$ 1,694,303

Terrebonne Parish Recreation District No. 2/3
Notes to the Financial Statements
Year Ended December 31, 2020

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	January 1, 2020	Additions	Deletions/ Reclassifications	December 31, 2020
Capital assets, not being depreciated:				
Land	\$ 285,555	\$ -	\$ -	\$ 285,555
Construction in progress	165,415	-	(165,415)	-
	<u>450,970</u>	<u>-</u>	<u>(165,415)</u>	<u>285,555</u>
Capital assets, being depreciated:				
Facilities and improvements	12,536,824	5,538	(9,491,669)	3,050,693
Equipment and furniture	675,511	-	-	675,511
Automobiles	32,846	-	-	32,846
Total assets being depreciated	<u>13,245,181</u>	<u>5,538</u>	<u>(9,491,669)</u>	<u>3,759,050</u>
Less: Accumulated depreciation				
Facilities and improvements	2,180,950	407,314	(815,517)	1,772,747
Equipment and furniture	370,804	51,892	-	422,696
Automobiles	31,941	905	-	32,846
Total accumulated depreciation	<u>2,583,695</u>	<u>460,111</u>	<u>(815,517)</u>	<u>2,228,289</u>
	<u>10,661,486</u>	<u>(454,573)</u>	<u>(8,676,152)</u>	<u>1,530,761</u>
Total capital assets, net	<u>\$ 11,112,456</u>	<u>\$ (454,573)</u>	<u>\$ (8,841,567)</u>	<u>\$ 1,816,316</u>

Bayou Country Sports Park capital assets, and the related management and maintenance responsibility, totaling \$8,841,567, net of accumulate depreciation, were transferred to the Terrebonne Parish Consolidated Government in September 2020.

NOTE 5 – 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. A reevaluation was completed for the list of January 1, 2019. 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, 2020 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. Taxes levied November 1, 2020 are for budgeted expenditures in 2021 and will be recognized as revenues in 2021.

Terrebonne Parish Recreation District No. 2/3
Notes to the Financial Statements
Year Ended December 31, 2020

NOTE 6 – COMPENSATION OF BOARD MEMBERS

The Board serves without compensation.

NOTE 7 – INTERGOVERNMENTAL AGREEMENT – TPCG

The District executed a cooperative endeavor agreement with the Terrebonne Parish Consolidated Government (TPCG) on April 15, 2015 to provide supplemental funding for the various phases of construction of the Bayou Country Sports Park, a multi-purpose sports complex. Included in the project is TPCG's purchase of certain parcels for the proposed approximately 114.06-acre site, of which TPCG will grant right of use to the District if the District maintains the property and implements the Master Plan. This agreement was limited on September 28, 2020 and related assets reverted to the primary government (note 4).

NOTE 8 – 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 omission; and natural disasters and group health benefits for which the District carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation, group insurance, property insurance, and automobile liability. No settlements were made during the year that exceeded the District's insurance coverage. The District pays monthly premiums to the Parish for workers' compensation based on a fixed percentage of payroll. The District's premiums for general liability are based on various factors such as its operations and maintenance budget, exposure, and claims experience. The premium for group health insurance is based on a fixed rate per employee. The premium for automobile liability is based on claims experience, vehicle type, and 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	\$ 10,000,000
Workers' compensation	\$ 25,000,000
Employer's liability	\$ 1,000,000
Auto liability	\$ 10,000,000

Coverage for general liability, workers' compensation, and auto claims in excess of the stated limits above are to be funded first by assets of the Parish's risk management internal service fund, then secondly by the District. The Parish is self-insured for the first \$150,000 of each claim relating to group health. Insurance contracts cover excess liability, up to \$2,000,000 on individual claims. As of December 31, 2020, the District had no claims in excess of the above coverage limits.

Terrebonne Parish Recreation District No. 2/3

Notes to the Financial Statements

Year Ended December 31, 2020

NOTE 9 – SUBSEQUENT EVENTS

Subsequent events were evaluated through May 13, 2021, which is the date the financial statements were available to be issued and it was determined that no events occurred that required disclosure. No events after that date have been evaluated for inclusion in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

Terrebonne Parish Recreation District No. 2/3
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Over/ (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,298,532	\$ 1,298,532	\$ 1,542,449	\$ 243,917
Intergovernmental:				
State of Louisiana revenue sharing	20,728	20,728	34,479	13,751
Rental fees	5,992	5,992	11,041	5,049
Concession sales	7,245	7,245	2,662	(4,583)
Other income	597	597	-	(597)
Interest income	1,641	1,641	3,131	1,490
Total Revenues	<u>1,334,735</u>	<u>1,334,735</u>	<u>1,593,762</u>	<u>259,027</u>
Expenditures				
Current:				
General government:				
Ad valorem tax deductions	-	-	54,970	(54,970)
Culture and recreation:				
Personnel services	340,224	340,224	362,933	(22,709)
Supplies and materials	31,973	31,973	143,934	(111,961)
Professional fees	75,451	75,451	36,127	39,324
Other services and charges	421,019	126,019	71,096	54,923
Repairs and maintenance	153,853	153,853	27,505	126,348
Total culture and recreation	<u>1,022,520</u>	<u>727,520</u>	<u>641,595</u>	<u>85,925</u>
Capital outlay	-	550,000	5,078	544,922
Total Expenditures	<u>1,022,520</u>	<u>1,277,520</u>	<u>701,643</u>	<u>575,877</u>
Revenues Over Expenditures	<u>\$ 312,215</u>	<u>\$ 57,215</u>	<u>\$ 892,119</u>	<u>\$ 834,904</u>

See Independent Auditor's Report.

OTHER INFORMATION

Terrebonne Parish Recreation District No. 2/3
 Schedule of Compensation, Benefits, and Other Payments
 to District Head
 Year Ended December 31, 2020

Agency Head Name: Brock Landry, Executive Director

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 52,000
Benefits - insurance	-
Benefits - retirement	-
Dues	-
Special meals	-
Vehicle provided by government	-
Registration fees	-
Conference travel	-
Other - engineering license renewal	-
Reimbursements	-
Car allowance/automobile expense	-
Membership fees	-
Deferred compensation	-
Per diem	-
Service fees	-
Travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-

This schedule is used to satisfy the reporting requirements of R.S.24:513(A)(3).

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

**Martin
and
Pellegrin**

103 Ramey Road
Houma, Louisiana 70360

*Certified public Accountants
(A Professional Corporation)*

Ph. (985) 851-3638
Fax (985) 851-3951

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities and each major fund of Terrebonne Parish Recreation District No. 2/3 (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 13, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2020-001, that we consider a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 that are required to be reported under *Government Auditing Standards*.

Terrebonne Parish Recreation District No. 2/3's Response to Finding

Terrebonne Parish Recreation District No. 2/3's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Terrebonne Parish Recreation District No. 2/3's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Houma, Louisiana
May 13, 2021

Terrebonne Parish Recreation District No. 2/3
Schedule of Findings and Responses
Year Ended December 31, 2020

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements of Terrebonne Parish Recreation District No. 2/3.
2. One material weakness in internal control was noted during the audit of the financial statements.
3. No instances of noncompliance or other matters required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.
4. No instances of noncompliance under the provisions of the Louisiana Governmental Audit Guide were noted during the audit of the financial statements.
5. A management letter was not issued.
6. The District did not receive or expend federal funds during the year.

Section II – Financial Statement Findings

No findings material to the basic financial statements of Terrebonne Parish Recreation District No. 2/3, which would be required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.

Section III – Internal Control Findings

2020-001 – Duplicate Payment

Statement of Condition – During the testing of cash disbursements we noted that the District issued a duplicate payment for a fixed asset addition. We consider this condition to be a material weakness in internal control.

Criteria: An adequate system of internal control includes the implementation and successful operation of procedures designed to ensure that obligations are paid once.

Effect of Condition: The duplicate payment of an obligation results in the unintended use of the limited resources of the District, which could result in other beneficial purchase(s) not being initiated.

Cause of Condition – The District has a procedure in place whereby checks are prepared for payment by accounting staff and presented at board meetings for approval and check signing. This procedure did not prevent the duplicate payment.

Recommendation: We recommend that greater care be taken in performing the control features already in place. We also recommend that each month’s disbursements be

Terrebonne Parish Recreation District No. 2/3

Schedule of Findings and Responses

Year Ended December 31, 2020

compared to the prior month's disbursements, being cognizant of possible duplication. A request for reimbursement should be sent to the vendor who received the duplicate payment.

Planned Action: The District will implement the recommendation as detailed above. Management considers this an isolated incident.

Section IV – Federal Awards

No federal awards were received during the year.

Terrebonne Parish Recreation District No. 2/3
Management's Corrective Action Plan for Current Year Findings
Year Ended December 31, 2020

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

2020-001 – Duplicate Payment

Statement of Condition – During the testing of cash disbursements we noted that the District issued a duplicate payment for a fixed asset addition. We consider this condition to be a material weakness in internal control.

Recommendation: We recommend that greater care be taken in performing the control features already in place. We also recommend that each month's disbursements be compared to the prior month's disbursements, being cognizant of possible duplication. A request for reimbursement should be sent to the vendor who received the duplicate payment.

Planned Action: The District will implement the recommendation as detailed above.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

Terrebonne Parish Recreation District No. 2/3
Schedule of Prior Findings and Responses
Year Ended December 31, 2020

Note: The prior finding relates to the December 31, 2019 audit engagement.

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

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.