

*Financial Report*

*Terrebonne ARC*

*Houma, Louisiana*

*For the year ended June 30, 2018*



**Bourgeois Bennett**  
CERTIFIED PUBLIC ACCOUNTANTS | CONSULTANTS  
A LIMITED LIABILITY COMPANY

***Financial Report***

***Terrebonne ARC***

***Houma, Louisiana***

***For the year ended June 30, 2018***

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## Terrebonne ARC

For the year ended June 30, 2018

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**FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors,  
Terrebonne ARC  
Houma, Louisiana.

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Terrebonne ARC (the Association), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Association'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 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 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 Association'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 Association'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 opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Terrebonne ARC as of June 30, 2018, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **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 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 with 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 basis 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 Association's financial statements as a whole. The accompanying Combining Governmental Fund Balance Sheet – General Fund Departments at June 30, 2018, the Combining Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – General Fund Departments and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer for the year then ended, are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying Combining Governmental Fund Balance Sheet – General Fund Departments at June 30, 2018, the Combining Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance – General Fund Departments and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer for the year then ended are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 December 10, 2018 on our consideration of the Terrebonne ARC internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting, compliance and the results of that testing. It does not provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit and performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

*Bougeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
December 10, 2018.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Terrebonne ARC**

**June 30, 2018**

This section of the Association's financial report presents our discussion and analysis of the Association's financial performance during the year ended June 30, 2018. This document focuses on the current year's activities, resulting changes and currently known facts. Please read it in conjunction with the basic financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The Association's assets exceeded its liabilities at June 30, 2018 by \$20,655,128 (net position), which represents a 3.7% increase from last fiscal year. Of this amount, \$13,661,639 (unrestricted net position) may be used to meet the Association's ongoing obligations.
- Intergovernmental revenues decreased by \$200,484 or 4.0% due to a decrease in federal grant funds received from the Louisiana Department of Transportation and Development. Charges for service revenues increased by \$34,520 or 0.8% due to increases in services provided. Grant revenue of \$19,000 consists of grants from the Bayou Community Foundation and Conoco Phillips. Miscellaneous revenues decreased by \$38,163 or 13.9% primarily due to prior year donation of a house and vehicle, but offset by an increase in interest rates and an insurance reimbursement. Total revenues decreased by \$201,127 or 2.0%.
- The Association's total expenses increased by \$178,103 or 2.0%. Personal services increased by \$132,621 or 2.0% due to salary and benefit cost increases. Supplies and materials increased by \$22,131 or 5.8% primarily due to an increase in food purchases due to improving sales. Other services and charges increased by \$67,090 or 6.4% due to costs related to the expansion of several vocational work programs, CARF accreditation and staff training. Repairs and maintenance decreased by \$49,650 or 16.5% due to a decrease in repairs to vehicles, equipment and buildings and tree trimming and removal costs in the prior year. Depreciation increased \$5,912 or 1.2% due to the purchase of new vehicles and equipment.
- The Association's governmental fund reported that total assets increased by \$203,488 or 1.43% while total liabilities increased by \$356,097 or 184.5%. Assets exceeded liabilities at June 30, 2018 by \$13,845,842 (fund balance) with a decrease of \$152,609 or 1.1%. Of this nearly \$14 million in fund balance, \$119,590 is non-spendable, \$6,291,248 is committed for dedicated emergencies and contingencies, \$4,043,307 is assigned for next year's budget deficit and \$290,542 received from donations is assigned for designated expenditures. Unassigned fund balance amounted to \$3,101,155 at June 30, 2018.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

The financial statements focus on the Association as a whole (government-wide) and the major individual fund. 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 the Association's accountability. The Statement of Net Position and the Statement of Activities provide information about the activities of the Association as a whole and present a longer-term view of the Association's finances. For governmental activities, fund financial statements tell how these services were financed in the short term as well as what remains for future spending.

### **Reporting the Association as a Whole**

One of the most important questions asked about the Association's finances is, "Is the Association as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Association as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most not-for-profit organizations and private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Association's net position and changes in it. You can think of the Association's net position – the difference between assets and liabilities – as one way to measure the Association's financial health, or financial position. Over time, increases or decreases in the Association's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Association's local, state and federal programs, to assess the overall health of the Association.

### **Reporting the Association as a Governmental Fund**

The Association's services are reported in a governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, 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 Association's general operations and the 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 the Association's programs. We describe the relationship (or differences) between activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in reconciliations, which are reflected on the page following each governmental fund statement (see Exhibits D and F).

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position at June 30, 2018, with comparative figures from June 30, 2017:

**TABLE A-1**  
**Condensed Statement of Net Position**

	<u>June 30,</u>		<u>Dollar Change</u>	<u>Total Percent Change</u>
	<u>2018</u>	<u>2017</u>		
Current and other assets	\$ 14,394,897	\$ 14,191,409	\$ 203,488	1.4%
Capital assets	6,993,489	6,084,093	909,396	14.9%
Total assets	<u>21,388,386</u>	<u>20,275,502</u>	<u>1,112,884</u>	5.5%
Other liabilities	549,055	192,958	356,097	184.5%
Long-term liabilities	184,203	171,057	13,146	7.7%
Total liabilities	<u>733,258</u>	<u>364,015</u>	<u>369,243</u>	101.4%
Net position:				
Net investment in capital assets	6,993,489	6,084,093	909,396	14.9%
Unrestricted	13,661,639	13,827,394	(165,755)	-1.2%
Total net position	<u>\$ 20,655,128</u>	<u>\$ 19,911,487</u>	<u>\$ 743,641</u>	3.7%

For more detailed information see Exhibit A, Statement of Net Position.

Approximately 33.9% of the Association's net position as of June 30, 2018, reflect the Association's net investment in capital assets (land, buildings, office furniture and machinery and equipment less accumulated depreciation). The Association uses these capital assets to provide services to the individuals with intellectual and other developmental disabilities; consequently, these assets are not available for future spending. The remaining 66.1% of net position, referred to as unrestricted, may be used to meet the ongoing obligations of the Association.

The table below provides a summary of the changes in net position for the year ended June 30, 2018, with comparative figures from June 30, 2017:

**TABLE A-2**  
**Condensed Statement of Activities**

	<u>For the year ended June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>Total</u> <u>Percent</u> <u>Change</u>
	<u>2018</u>	<u>2017</u>		
Revenues:				
Intergovernmental	\$ 4,850,549	\$ 5,051,033	\$ (200,484)	-4.0%
Charges for services	4,593,877	4,559,357	34,520	0.8%
Grants	19,000	16,000	3,000	18.8%
Miscellaneous	236,606	274,769	(38,163)	-13.9%
Total revenues	<u>9,700,032</u>	<u>9,901,159</u>	<u>(201,127)</u>	-2.0%
Expenses:				
Health and welfare	<u>8,956,391</u>	<u>8,778,288</u>	<u>178,103</u>	2.0%
Change in net position	743,641	1,122,871	(379,230)	-33.8%
Beginning net position	<u>19,911,487</u>	<u>18,788,616</u>	<u>1,122,871</u>	6.0%
Ending net position	<u>\$ 20,655,128</u>	<u>\$ 19,911,487</u>	<u>\$ 743,641</u>	3.7%

The Association's net position increased by \$743,641 during the current year, due to drawdowns received from the Terrebonne Parish Consolidated Government from the proceeds of a parish-wide ad valorem tax dedicated for the habilitation and welfare of individuals with intellectual and other developmental disabilities, services provided and donations received.

**FINANCIAL ANALYSIS OF THE ASSOCIATION'S FUND**

Revenues for the Association's General Fund for the year ended June 30, 2018 were approximately \$9.7 million. There are four funding categories: intergovernmental (50.0%), charges for services (47.4%), grants (0.2%), and miscellaneous (2.4%). The largest single funding source is local funding from the Terrebonne Parish Consolidated Government, as described above, (intergovernmental category) at 49.6% of total revenues. Medicaid Waiver funds at 20.0%, Title XIX funds at 8.8%, and community work contracts at 15.0% are included in the charges for services category which represents 47.4% of total revenues. Decreases in intergovernmental revenues were a result of decreases in funds received from the Louisiana Department of Transportation and Development. Increases in charges for services revenue were a result of increases in services provided. Grant revenue consists of two grants received from private companies. The Association's miscellaneous revenues decreased due to a decrease in donations, offset by an increase in interest income and an insurance reimbursement.

General Fund expenditures were approximately \$9.9 million for the year ended June 30, 2018. There are five categories of expenditures classified as Current Expenditures and Capital Outlay. Since the Association is a provider of human services, the personal services category is the largest expense category at 67.9%. The other categories are supplies and materials at 4.1%, other services and charges at 11.3%, and repairs and maintenance at 2.5%. Capital outlay, which exhibits the most variance from year to year, represented 14.2% of total expenditures for the year ended June 30, 2018.

There was an increase in personal services costs this year due to employee pay increases and an increase in cost of employee benefits. An increase in supplies and materials resulted from an increase in food costs. Other services and charges increased due to costs related to the expansion of several vocational work programs, CARF accreditation and staff training. Repairs and maintenance decreased due to a decrease in repairs to vehicles, equipment and buildings and tree trimming and removal costs in the prior year. Capital outlay increased due to the construction of a new beignet bakery and candy store.

The Association's financial position has improved over the past several years, but decreased this year due to an excess of expenditures over revenues of \$152,609. Factors, which will affect the Association's results of future operations follow. The Association constantly faces the possibility of funding cuts from state and federal funding sources. As in past years, the Medicaid funding challenge at the state and federal levels will continue to threaten the reimbursement rate for programs providing Medicaid Waiver services. Since the Association will now have to evacuate when tropical storms threaten the area, evacuation costs could increase significantly. The total financial affect of these factors, if any, will not be known until the end of next fiscal year.

## **Departmental Analysis**

### **General Operating Department:**

General Operating Department revenue decreased due to decreases in federal grant funds received from the Louisiana Department of Transportation and Development. Personal services costs increased as a result of annual pay increases and an increase in the cost of employee benefits. Expenditures for supplies and materials increased due to an increase in fuel purchases. Other services and charges increased due to costs related to CARF accreditation, professional fees, travel and staff training. Maintenance and repair costs decreased due to less building and grounds repairs during the current year and tree trimming and removal costs in the prior year. Capital outlay decreased due to the donation, and subsequent renovations, of a house and the purchase of a vehicle through a federal grant received from the Louisiana Department of Transportation and Development in the prior year.

Besides the administration of all programs our General Operating Department includes transportation to and from work for adult individuals served throughout Terrebonne Parish. Social opportunities are provided through the Association's Music Therapy Program, which strengthens coordination, concentration, social skills, speech development and enjoyment. The music group provides entertainment at community functions. The Association's specialized services include family support, advocacy and nursing. Family support services assist families and individuals in

coping with simple to highly complex problems. Services are provided by a licensed professional counselor and include individual and family counseling, behavior training, psychological counseling, vocational counseling, vocation assessments, anger management, social counseling and resource referral. The advocacy services offer family assistance in obtaining services and networking with needed support services. The Association's nursing staff consists of an RN and an LPN whom administer daily medications and handle emergency medical situations.

### **Adult Workshop Department:**

The Association's Adult Workshop Department revenues increased this year because of an increase in services provided. Total expenditures increased as a result of costs associated with expansion of several vocational work programs, increases in wages and benefit costs and construction costs for a new beignet bakery and candy store. Day habilitation services are provided through this department where individuals served receive training and hands-on work experience in manufacturing and providing services for the community. Sheltered workshop employment consists of prevocational habilitation and day habilitation for severe and profound individuals by training our individuals served to provide services and to work in a variety of different settings such as: arts and crafts, salsa and pepper jelly production, packaging, Mardi Gras beads, candy, screen printing, bakery, thrift store, restaurant and cafeteria. The Association's mobile crews are trained to provide janitorial and lawn maintenance services to businesses in the community. In the Supported Employment Program, our individuals served are trained and placed in a job in the community. With the Association's continued training and support, these individuals are able to work in normal work settings.

### **Residential Departments:**

Residential services provide for habilitation and care through our Community Homes, Center-Based and In-Home Respite (including personal care attendant, PCA) and Supervised Independent Living (SIL) departments. The three community homes provide skills training in the areas of household chores, grooming, exercise, meal preparation, laundry skills and daily routines. SIL offers an array of services to assist our individuals in living as independently as possible in the community and include training, consultation, day and night companions and behavior companions. Respite and PCA services assist with activities of daily living and offers parents and/or guardians a time of rest.

### **Respite/Personal Care Attendant (PCA) Department:**

The Association's Respite/PCA department provides care of individuals to aid the primary care giver. Revenue increased slightly in the program due to an increase in the amount of services that were provided. Expenses in the program increased due to increased overhead allocations.

### **Supervised Independent Living (SIL) Department:**

Supervised Independent Living provides assistance to individuals served with daily living. Revenue in the program decreased due to a decrease in the number of individuals served.

Expenses in the program decreased primarily due to decreased salaries as a result of personnel changes.

**Dixie Community Home Department:**

Dixie Community Home revenues remained consistent with the prior year. Expenses decreased due to home renovations in the prior year.

**Wellington Community Home Department:**

Wellington Community Home revenues remained consistent with the prior year. Expenses decreased due to personnel cost decreases and the purchase of a vehicle in the prior year.

**Lillian Marie Community Home Department:**

Lillian Marie Community Home revenue remained consistent with the prior year. Expenses decreased due to the purchase of a vehicle in the prior year.

**BUDGETARY HIGHLIGHTS**

Budget adjustments are made mid-year to account for any significant deviation from beginning year projections. Only if there is a substantial budget deviation will the annual budget be adjusted in the second half of the year. During the current year, the budget was amended to reflect drawdowns from Terrebonne Parish Consolidated Government from the parish-wide ad valorem tax being less than anticipated, a decrease in services provided, unanticipated grants, insurance reimbursements and donations received, and an increase in investment earnings. The budget was also amended to reflect a decrease in other services and charges due to insurance and pest control costs being less than anticipated. The budget amendment reflects a decrease in personal services due to individuals served salaries and worker's compensation insurance being less than anticipated. The budget amendment also reflects a decrease in supplies and materials due to fuel costs being less than anticipated and the purchase of less food than anticipated for the cafeteria. The budget amendment reflects an increase in repairs and maintenance due to significant anticipated vehicle, equipment and building repairs. Capital outlay costs were increased for architect fees and construction costs for construction of a beignet bakery and candy store being higher than anticipated. All other adjustments were made to prevent significant unfavorable variances in budgeted revenues and expenditures. The total difference of the change in fund balance between the original budget and the amended budget was a change of \$184,730 from a deficit of \$2,089,043 to a deficit of \$2,273,773. This increase was the result of a decrease in revenues of \$59,897 and a net increase in expenditures of \$124,833. There was a 3.5% favorable budget variance in revenues due to increase in revenue from services for waiver, an additional individual in the community homes and SIL program as well as an increase in the sale of services and products of the Association's various businesses and grants and insurance reimbursements that were not anticipated. Expenditures were less than budget by 15.4% since salaries are budgeted as being fully staffed when several positions were vacant for part of the year. Also, benefits costs less than anticipated due to workers' compensation dividend received. The purchase of a two shuttle vehicles through state grants were not completed by June 30, 2018. Construction costs for the new

beignet bakery and candy store through June 30, 2018 were less than anticipated. Architect services for the new restaurant did not begin as planned. Also, disaster, data processing, training, utilities, fuel, travel, supplies and repair costs were less than anticipated. Consequently, the result of operations, which was projected as a deficit of approximately \$2.3 million, only resulted in a deficit of \$153,000 approximately or 1.6% in excess of revenues.

### **CAPITAL ASSET ADMINISTRATION**

The Association's net investment in capital assets as of June 30, 2018, amounts to \$6,993,489 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, office furniture, machinery and equipment as shown in Table A-3. This amount represents a net increase of \$909,396, or 14.9%, due to capital additions exceeding depreciation and deletions.

**TABLE A-3**  
**Capital Assets**  
**(Net of depreciation)**

	<u>June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>Total</u> <u>Percent</u> <u>Change</u>
	<u>2018</u>	<u>2017</u>		
Land	\$ 478,615	\$ 478,615	\$ -	0.00%
Construction in progress	1,203,014	48,132	1,154,882	2399.41%
Buildings	4,404,064	4,582,032	(177,968)	-3.88%
Office furniture, equipment, and fixtures	385,269	387,147	(1,878)	-0.49%
Machinery and equipment	522,527	588,167	(65,640)	-11.16%
<b>Totals</b>	<u>\$ 6,993,489</u>	<u>\$ 6,084,093</u>	<u>\$ 909,396</u>	<u>14.95%</u>

This year's capital improvements included the following:

Construction-in-progress of \$1,156,667 for the beignet bakery and candy store.

Building/land improvements - \$83,930

Air conditioning system replacement - \$6,719

Vehicles - \$83,211

Computers/office equipment - \$14,411

Machinery & equipment - \$49,813

Furniture - \$2,816

The reduction in the costs of capital assets during the current year included the following:

Disposal of air conditioning - \$3,607

Disposal of computers/office equipment - \$44,645

Disposal of vehicles - \$7,080

The Association's fiscal year 2019 capital budget includes \$3,304,899 for capital expenditures, principally for final construction and architect fees and equipment for the new beignet bakery and candy store; architect fees for design of a new country store, construction costs, equipment and furnishings; purchase of equipment for expansion in programs or replacement of old equipment; vehicle for administration and donation center; heat pump replacement for heater systems at

Wellington and Lillian Marie due to mandatory fire code various maintenance projects to extend the life of buildings; and Department of Transportation grants for two shuttles that have been awarded and four additional shuttles for which grant applications have been submitted. The Association has no plans to issue debt to finance these projects; rather, the Association will use available resources. More detailed information about the Association's capital assets is presented in Note 5 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The Association's Board of Directors and management considered many factors when setting the fiscal year 2019 budget. These factors include any unusual conditions, one-time expenditures and changes in rates or fees that occurred during the 2018 fiscal year or whose effects are determinable at the time of budget preparations for the 2019 fiscal year. Accordingly, any possible Medicaid funding reductions or increased evacuation expenditures discussed on page 8 have not been incorporated into the budget for 2019.

Revenues and other sources for fiscal year 2019 are projected to be \$9,379,169, \$320,863 less than 2018 fiscal year revenues and other sources. The most significant decreases are in services provided and grants, donations and insurance reimbursement received. Budgeted expenditures are expected to rise 36.2% from fiscal year ended June 30, 2018 to \$13,422,477. The most significant increases are in personal services as a result of all positions being budgeted at full time status with pay increases, anticipated increased in employee benefit costs and capital outlay related the new beignet bakery and candy store and the construction of a new restaurant. Supply costs are expected to increase due to anticipated increases in fuel, costs related to the expansion of several vocational work programs and clothing for homes budgeted at DHH requirements. Other services and charges are also expected to increase due to projected premium increases for insurance, travel costs related to conferences and trainings, utilities and telephones (new buildings), disaster costs and legal expenses. Repairs costs are expected to increase as a result of the expansion of programs resulting in an increase in the number of vehicles and buildings that will require maintenance. Capital asset costs are expected to increase due to the completion of a beignet bakery and candy store and architect fees for the construction of a new restaurant and gift shop. The Association's fund balance is expected to decrease by \$4,043,308.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Association's finances for all those with an interest in the Association's finances. If you have any questions about this report or need additional financial information, contact Terrebonne ARC; Director of Finance, No. 1 McCord Road, Houma, Louisiana 70363.

**STATEMENT OF NET POSITION****Terrebonne ARC**

June 30, 2018

**Assets**

Cash and cash equivalents	\$ 11,305,725
Investments	2,500,000
Receivables:	
Accounts	24,996
Other	23,164
Due from other governmental units	396,788
Inventories	109,305
Prepaid insurance	10,285
Deposits	24,634
Capital assets:	
Non-depreciable	1,681,629
Depreciable, net of accumulated depreciation	<u>5,311,860</u>
Total assets	<u>21,388,386</u>

**Liabilities**

Accounts payable and accrued expenditures	549,055
Long-term liabilities -	
Due after one year	<u>184,203</u>
Total liabilities	<u>733,258</u>

**Net Position**

Net investment in capital assets	6,993,489
Unrestricted	<u>13,661,639</u>
Total net position	<u>\$ 20,655,128</u>

See notes to financial statements.

**STATEMENT OF ACTIVITIES****Terrebonne ARC**

For the year ended June 30, 2018

<u>Functions/Programs</u>	<u>Direct Expenses</u>	<u>Indirect Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Total Governmental Activities</u>
			<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Governmental activities:						
Health, welfare and social services:						
Adult Workshop	\$ 4,423,821	\$ 1,642,126	\$ 2,747,849	\$ 19,000		\$ (3,299,098)
Residential	1,633,135	789,237	1,787,534	-		(634,838)
Administrative	<u>2,899,435</u>	<u>(2,431,363)</u>	<u>58,494</u>	<u>-</u>	\$ 40,000	<u>(369,578)</u>
Total governmental activities	<u>\$ 8,956,391</u>	<u>\$ -</u>	<u>\$ 4,593,877</u>	<u>\$ 19,000</u>	<u>\$ 40,000</u>	<u>(4,303,514)</u>
General revenues:						
Grants and contributions not restricted to specific programs						4,810,549
Miscellaneous						<u>236,606</u>
Total general revenues						<u>5,047,155</u>
					Change in net position	743,641
Net position:						
Beginning						<u>19,911,487</u>
Ending						<u>\$ 20,655,128</u>

See notes to financial statements.

**GOVERNMENTAL FUND BALANCE SHEET**

**Terrebonne ARC**

June 30, 2018

	<u>General Fund</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 11,305,725
Investments	2,500,000
Receivables:	
Accounts	24,996
Other	23,164
Due from other governmental units	396,788
Inventories	109,305
Prepaid insurance	10,285
Deposits	<u>24,634</u>
Total assets	<u>\$ 14,394,897</u>
<b>Liabilities</b>	
Accounts payable and accrued expenditures	<u>\$ 549,055</u>
<b>Fund Balance</b>	
Nonspendable:	
Inventories	109,305
Prepaid insurance	10,285
Committed:	
Dedicated emergencies and contingency fund	6,291,248
Assigned:	
Subsequent years' expenditures:	
Next year's budget deficit	4,043,307
Donations	290,542
Unassigned	<u>3,101,155</u>
Total fund balance	<u>13,845,842</u>
Total liabilities and fund balance	<u>\$ 14,394,897</u>

See notes to financial statements.

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

**Terrebonne ARC**

June 30, 2018

<b>Fund Balances - Governmental Fund</b>		<b>\$ 13,845,842</b>
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.</p>		
Governmental capital assets	\$ 13,077,272	
Less accumulated depreciation	<u>(6,083,783)</u>	6,993,489
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.</p>		
Compensated absences payable		<u>(184,203)</u>
<b>Net Position of Governmental Activities</b>		<b><u><u>\$ 20,655,128</u></u></b>

See notes to financial statements.

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

**Terrebonne ARC**

For the year ended June 30, 2018

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental:	
Terrebonne Parish Consolidated Government	\$ 4,808,332
State of Louisiana:	
Department of Transportation	40,000
Other	2,217
Charges for services	4,593,877
Grants	19,000
Miscellaneous	<u>236,606</u>
Total revenues	<u>9,700,032</u>
<b>Expenditures</b>	
Health and welfare:	
Current:	
Personal services	6,691,321
Supplies and materials	401,526
Other services and charges	1,111,377
Repairs and maintenance	250,850
Capital outlay	<u>1,397,567</u>
Total expenditures	<u>9,852,641</u>
<b>Deficiency of revenues over expenditures</b>	(152,609)
<b>Fund Balance</b>	
Beginning of year	<u>13,998,451</u>
End of year	<u>\$ 13,845,842</u>

See notes to financial statements.

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

**Terrebonne ARC**

For the year ended June 30, 2018

**Net Change in Fund Balance - Governmental Fund** \$ (152,609)

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

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

Capital outlay	\$ 1,397,567	
Depreciation expense	<u>(486,102)</u>	
Excess of capital outlay over depreciation expense		911,465

The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins and donations, is to decrease net assets.	(2,069)
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Some expenses reported in the Statement of Activities do not require the use  
of current financial resources and, therefore, are not reported as expenditures  
in governmental fund.

Increase in compensated absences payable	<u>(13,146)</u>
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**Change in Net Position of Governmental Activities** \$ 743,641

See notes to financial statements.

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

**Terrebonne ARC**

For the year ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental:				
Terrebonne Parish Consolidated				
Government	\$ 4,850,000	\$ 4,808,000	\$ 4,808,332	\$ 332
State of Louisiana:				
Department of Transportation	40,000	40,000	40,000	-
Other	2,000	2,000	2,217	217
Charges for services	4,427,428	4,334,691	4,593,877	259,186
Grants	-	4,000	19,000	15,000
Miscellaneous	116,500	187,340	236,606	49,266
Total revenues	<u>9,435,928</u>	<u>9,376,031</u>	<u>9,700,032</u>	<u>324,001</u>
<b>Expenditures</b>				
Health and welfare:				
Current:				
Personal services	7,739,454	7,685,504	6,691,321	994,183
Supplies and materials	491,841	469,791	401,526	68,265
Other services and charges	1,214,888	1,203,805	1,111,377	92,428
Repairs and maintenance	300,100	320,434	250,850	69,584
Capital outlay	1,778,688	1,970,270	1,397,567	572,703
Total expenditures	<u>11,524,971</u>	<u>11,649,804</u>	<u>9,852,641</u>	<u>1,797,163</u>
<b>Net Change in Fund Balance</b>	(2,089,043)	(2,273,773)	(152,609)	2,121,164
<b>Fund Balance</b>				
Beginning of year	<u>13,998,451</u>	<u>13,998,451</u>	<u>13,998,451</u>	<u>-</u>
End of year	<u>\$ 11,909,408</u>	<u>\$ 11,724,678</u>	<u>\$ 13,845,842</u>	<u>\$ 2,121,164</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS****Terrebonne ARC**

June 30, 2018

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

The accounting policies of the Terrebonne ARC (the Association) conform to accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

**a) Reporting Entity**

The Terrebonne ARC was organized as a nonprofit corporation on March 21, 1962. The Association administers programs to provide for the needs of individuals with intellectual and other developmental disabilities. Tax exempt status has been granted under Internal Revenue Code Section 501(c)3.

The Association is fiscally dependent upon the Terrebonne Parish Consolidated Government (the Parish) for a significant amount of its intergovernmental revenue, accordingly the Association is a component unit of the Parish and as such, these component unit financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ending December 31, 2018.

GASB No. 14, *The Financial Reporting Entity*, GASB No. 39, *Determining Whether Certain Organizations Are Component Units-an amendment of GASB Statement No. 14*, and GASB No. 61, *The Financial Reporting Entity: Omnibus and amendment of GASB Statements No. 14 and No. 34* established the criterion for determining which component units should be considered part of the Association for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the Association and the potential component unit.

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

**a) Reporting Entity (continued)**

4. Imposition of will by the Association on the potential component unit.
5. Financial benefit/burden relationship between the Association and the potential component unit.

The Association has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

**b) Basis of Presentation**

**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 Association. The government-wide presentation focuses primarily on the sustainability of the Association 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, intergovernmental revenues and other nonexchange revenues.

**Fund Financial Statements:**

The fund financial statements are organized on the basis of funds and account 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 Association:

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

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

**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.

**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. The Association’s definition of available means expected to be received within sixty days of the end of the fiscal year. The Association’s intergovernmental fundings are described in Note 3. 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 Association 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. An exception to this general rule is accumulated unpaid vacation and sick pay which is recognized when paid. Allocations of cost such as depreciation are not recognized in the governmental funds.

**d) Use of Estimates**

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

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

**e) Operating Budgetary Data**

The Association is a quasi-governmental entity which is contractually required by the Parish to adopt an operating budget and follow certain state laws generally limited to local governments. The budget for the General Fund is adopted by the Board of Directors of the Association and submitted to the Parish Council for approval. All budgeted amounts which are not expended, or obligated through contracts, lapse at year-end. The budget was amended once during the year. Budget amendments are approved by the Board of Directors. Budgets are adopted on a basis materially consistent with generally accepted accounting principles.

**f) Cash, Cash Equivalents and Investments**

Cash includes amounts in regular and money market accounts.

Cash and cash equivalents include certificates of deposit and securities with maturities of three months or less when purchased and deposits in the Louisiana Asset Management Pool.

Investments are reported at fair value except for: (1) certificates of deposit, which are reported at cost, approximates fair value, and (2) the Louisiana Asset Management Pool (LAMP) investment, which is a local government 2a7-like pool administered by a non-profit corporation organized under State of Louisiana Law, which is permitted to be carried at amortized cost.

Investment policies are governed by a contract with the Parish (state statutes).

**g) Accounts Receivable**

The financial statements of the Association contain no allowance for uncollectible accounts. Uncollectible receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the Association.

**h) Inventories**

Inventories consist of expendable materials, supplies and products held for sale. Inventories are valued at the lower of cost (first-in, first-out) or market. The cost is recorded as an expenditure at the time the individual inventory items are sold or used utilizing the consumption method.

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

**i) Capital Assets**

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

**Government-wide Financial Statements:**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets with an estimated historical cost totaled \$538,390 or 4.1% of the total cost. 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 asset is as follows:

Buildings	10 - 40 years
Office furniture, equipment and fixtures	3 - 20 years
Machinery and equipment	5 - 25 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.

**j) Long-Term Obligations**

The accounting treatment of long-term obligations depends on whether they are reported in the government-wide or fund financial statements.

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

**j) Long-Term Obligations (continued)**

**Government-wide Financial Statements:**

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term obligations consist of accrued compensated absences: vacation and sick leave.

**Fund Financial Statements:**

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements.

**k) Vacation and Sick Leave**

The Association's policies regarding vacation and sick leave, accrued prior to November 9, 1993, permit employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as a long-term obligation in the government-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

Vacation benefits accrue each year on the employee's full-time anniversary date. The Association grants paid vacation time to regular, full-time employees who work at least 240 days per year according to their continuous length of service with the Association. The length of paid vacation time is as follows:

<u>Years of service</u>	<u>Paid vacation allowance</u>
Less than 1 year	None
1 year to 3 years	5 days
4 years to 9 years	10 days
10 years to 19 years	15 days
20 years and above	20 days

Employees are not allowed to carry forward more than 30 days per year.

All part-time employees are eligible for personal hours equivalent to the number of hours normally worked within a work week, not to exceed a maximum of 40 paid hours to be given on the employee's anniversary date after one year of consecutive employment. Hours that are not used during the year will be accruable up to a maximum of 60 hours.

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

**k) Vacation and Sick Leave (continued)**

All regular full-time employees who work 240 days or more per year are eligible for eight days of paid sick time each year. Employees may accumulate a maximum of up to 60 days of paid sick time.

Upon resignation or termination, employees are paid for all accumulated vacation leave and one-half of unused sick time accrued by employees prior to November 9, 1993. Payment for accrued sick time will be based on the employee's rate of pay on November 9, 1993. Employees are not paid for sick time earned after November 9, 1993. Personal hours are not paid to employees upon termination.

**l) Allocation of Expenditures**

The Association allocates all general and administrative costs to the various programs based upon total expenditures before the allocation in each department at the end of its fiscal year.

**m) Income Taxes**

The Association is a non-profit organization and is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code. Therefore, no provisions for income taxes have been made.

The Association's policies provide for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in the Association's financial statements. It requires the Association to recognize the financial statement impact of a tax position when it is more likely than not that the position will be sustained upon examination. Tax years ended June 30, 2015 and later remain subject to examination by the taxing authorities. As of June 30, 2018, management of the Association believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

**n) Fund Equity**

Government-wide Statements:

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. At June 30, 2018 the Association had no outstanding borrowings.

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

**n) Fund Equity (continued)**

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

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

**Fund Financial Statements:**

Governmental fund balances are classified as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts for which constraints have been placed on the use by externally imposed donors, grantors, creditors or government laws and regulations, or imposed by law through constitutional provisions or enabling legislation.
- c. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Association’s Board of Directors.
- d. Assigned – Amounts that are constrained by the Association’s intent to be used for a specific purpose but do not meet the criteria for restricted or committed. Assigned amounts may be established, modified or removed by majority vote of the Board of Directors or by the Chief Financial Officer under the authorization of the Executive Director.
- e. Unassigned – All other spendable amounts.

For the classification of governmental fund balances, the Association considers an expenditure to be made from the most restrictive first when more than one classification is available. Committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred from purposes for which amount in any of those unrestricted fund balance classifications could be used.

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

**n) Fund Equity (continued)**

The Association's fund balance was classified as non-spendable, committed, assigned and unassigned as of June 30, 2018.

Assigned for subsequent year's expenditures are amounts in next year's budget that represents deficiencies of revenues over expenditures. Other assignments are made for specific indicated purposes included in the title and require a Board of Directors' appropriation in subsequent years.

**o) New GASB Statements**

During the year ending June 30, 2018, the Association implemented the following GASB Statements:

Statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*" replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. This Statement did not affect the Association's financial statements.

Statement No. 81, "*Irrevocable Split Interest Agreements*" provided recognition and measurement guidance for situation in which a government is a beneficiary of an irrevocable split interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in agreements administered by third parties. Governments are required by this Statement to recognize revenue when the resources become applicable to the reporting period. This Statement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the Association's financial statements.

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

**o) New GASB Statements (continued)**

Statement No. 85, "*Omnibus 2017*." On March 20, 2017, GASB issued "*Omnibus 2017*" covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. "*Omnibus 2017*" is effective for fiscal years beginning after June 15, 2017. However, due to the nature of topic covered, GASB is allowing the option of early implementation for single topics. This Statement did not affect the Association's financial statements.

Statement No. 86, "*Certain Debt Extinguishment Issues*" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. This Statement did not affect the Association's financial statements.

The GASB has issued the following Statements which will become effective in future years as shown below:

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

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 a 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 December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*" improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. The Statement clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 30, 2018. Management has not yet determined the effect of this Statement on the financial statements.

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

**o) New GASB Statements (continued)**

Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*" establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 90, "*Majority Equity Interest*" improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of an equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and therefore, the government should report that organization as a component unit. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should only include

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

**o) New GASB Statements (continued)**

transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

**Note 2 - DEPOSITS AND INVESTMENTS**

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 office in the State of Louisiana, guaranteed investments contracts and investment grade (A-1/P-1) commercial paper of domestic corporations.

**Bank Deposits:**

State law requires deposits (cash and certificates of deposits) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and 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 with a trust company for the account of the political subdivision.

The year end balances of deposits are as follows:

	Bank Balance	Reported Amount	
Cash	\$ 1,982,183	\$ 1,977,129	
Certificates of Deposit	2,500,000	2,500,000	
Totals	\$ 4,482,183	\$ 4,477,129	

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association has a written policy for custodial credit risk. As of June 30, 2018, \$3,709,139 of the Association's bank balance of \$4,482,183 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, and are deemed to be held in the Association's name by state statutes.

**Note 2 - DEPOSITS AND INVESTMENTS (Continued)**

At June 30, 2018, cash and certificates of deposits were adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of the Association. 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 deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**Investments:**

State statutes authorize the Association to invest in obligations of the U.S. Treasury, agencies and instrumentalities; guaranteed investment contracts and investment grade (A-1/P-1) commercial paper of domestic corporations; repurchase agreements; and the Louisiana Asset Management Pool (LAMP).

As a means of limiting its exposure to fair value losses arising from interest rates, the Association's investment policy limits investments to securities with less than six months from the date of purchase unless the investment is matched to a specific cash flow.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Association's investment policy requires the application of the prudent-person rule. The policy states, *investments shall be made with the judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Primary emphasis shall be placed upon the safety of such funds in an effort to minimize risk while earning maximum returns.* The Association's investment policy limits investments to those discussed earlier in this note. LAMP has a Standard & Poor's Rating of AAAm.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Association will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in external investment pools are not exposed to custodial credit risk because of their natural diversification and the diversification required by the Securities and Exchange Commission.

**Note 2 - DEPOSITS AND INVESTMENTS (Continued)**

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in LAMP at June 30, 2018 amounted to \$9,325,365 and are included on the Statement of Net Position as "cash equivalents."

A reconciliation of deposits and investments as shown on the Statement of Net Position is as follows:

Cash on hand	\$	3,231
Reported amount of deposits		4,477,129
Reported amount of investments		<u>9,325,365</u>
Total	\$	<u>13,805,725</u>
Cash and cash equivalents	\$	11,305,725
Investments		<u>2,500,000</u>
Total	\$	<u>13,805,725</u>

**Note 3 - FUNDING POLICIES**

The Association receives federal and state funding on a per diem per individual served/unit basis and on a reimbursement for services performed. Funding from the Office of Citizens with Developmental Disabilities (adult care) is received on a per diem/unit basis. In addition, the Association performs prescribed habilitation services and residential care and housing services (charges for services) for assigned rates by Title XIX passed through the Office of Family Security.

The Association receives contributions from the Parish. Monies from the Parish are from a 5.33 mill parish-wide ad valorem tax for the purpose of operating, maintaining and constructing facilities for the people with intellectual and other developmental disabilities. Funding from the Parish is included in intergovernmental revenue and amounted to \$4,808,332 net of \$41,668 withheld by the Parish for administrative expenses, during the year ended June 30, 2018. The Association receives its funding from the Parish subject to the terms of a contract which requires the Association to follow certain state laws generally limited to local governments. The contract term is for as long as the Parish collects the ad valorem tax, which is currently through 2027.

**Note 4 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units at June 30, 2018 consisted of the following:

State of Louisiana -	
Department of Health:	
Office of Family Security:	
Title XIX - Per Diem	\$ 64,303
Office for Citizens with	
Developmental Disabilities:	
Adult Habilitation	200,969
Independent Apartment Living	9,058
Respite	121,113
Department of Transportation:	<u>1,345</u>
Total	<u>\$ 396,788</u>

**Note 5 - CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2018 follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets not being depreciated:				
Land	\$ 478,615			\$ 478,615
Construction in progress	48,132	\$ 1,156,667	\$ (1,785)	1,203,014
Total capital assets not being depreciated	<u>526,747</u>	<u>1,156,667</u>	<u>(1,785)</u>	<u>1,681,629</u>
Capital assets being depreciated:				
Buildings	8,193,025	83,930	-	8,276,955
Office furniture, equipment and fixtures	1,365,204	68,502	(48,252)	1,385,454
Machinery and equipment	1,651,846	88,468	(7,080)	1,733,234
Total capital assets being depreciated	<u>11,210,075</u>	<u>240,900</u>	<u>(55,332)</u>	<u>11,395,643</u>
Less accumulated depreciation for:				
Buildings	(3,610,993)	(261,898)	-	(3,872,891)
Office furniture, equipment and fixtures	(978,057)	(70,096)	47,969	(1,000,184)
Machinery and equipment	(1,063,679)	(154,109)	7,080	(1,210,708)
Total accumulated depreciation	<u>(5,652,729)</u>	<u>(486,103)</u>	<u>55,049</u>	<u>(6,083,783)</u>
Total capital assets being depreciated, net	<u>5,557,346</u>	<u>(245,203)</u>	<u>(284)</u>	<u>5,311,860</u>
Total capital assets, net	<u>\$ 6,084,093</u>	<u>\$ 911,464</u>	<u>\$ (2,069)</u>	<u>\$ 6,993,489</u>

Depreciation expense for the year ended June 30, 2018 was charged to the following governmental activities:

<b>Governmental Activity</b>	
Administrative	\$ 172,192
Adult Workshop	241,771
Residential	72,140
Total	<u>\$ 486,103</u>

**Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES**

Accounts payable and accrued expenditures at June 30, 2018 consisted of the following:

Vendors	\$ 229,842
Salaries and Benefits	<u>319,213</u>
Total	<u>\$ 549,055</u>

**Note 7 - LONG-TERM OBLIGATIONS**

The following is a summary of the changes in long-term obligations of the Association for the year ended June 30, 2018:

Long-term obligations, July 1, 2017	\$ 171,057
Net increase in accumulated unpaid vacation and sick leave	<u>13,146</u>
Long-term obligations, June 30, 2018	<u>\$ 184,203</u>

**Note 8 - RISK MANAGEMENT**

The Association is exposed to various risks of loss related to group health benefits; workers' compensation; torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Association carries commercial insurance. No settlements were made during the year that exceeded the Association's insurance coverage.

**Note 9 - RETIREMENT PLAN**

The Association established a Cash or Deferred Profit-Sharing Plan (the Plan), under Internal Revenue Code Section 403 (b), for its eligible employees as of January 1, 1994. The Plan is administered by the Association.

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Association's Board of Directors. Under this plan participating employees are permitted to make elective deferrals of their compensation that is within the limits of Code Sections 403 (b) and 402 (g) from 1% to 20% of compensation. The Association will match a discretionary amount equal to 50% of the amount contributed, not to exceed 8% of employee compensation. For the year ended June 30, 2018 employee contributions totaled \$169,989 and the Association recognized a pension expense of \$82,503.

Employees are fully vested immediately upon participating in the Plan.

**Note 10 - COMPENSATION OF BOARD MEMBERS**

No compensation was paid to Board Members for the year ended June 30, 2018.

**Note 11 - ECONOMIC DEPENDENCY**

The Association receives federal and state funding on a per diem per client/unit basis. Federal and state matching funds from the Department of Health and Human Services, passed through the Louisiana State Department of Health Office for Citizens with Developmental Disabilities and Office of Family Security, Medical Assistance Program – Medicaid/Title XIX are on a per diem basis. These payments, reported as residential and habilitation services, are considered a payment for a service as opposed to a grant award. If significant budget cuts are made at the federal or state level the amount of services the Association performs could be reduced and declines in revenues would have an adverse impact on operations.

**Note 12 - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through December 10, 2018, which is the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION SECTION**

## DEPARTMENTS

**Operating** – To account for and report all financial resources used to provide for the needs of individuals with intellectual and other developmental disabilities except those accounted for in another department.

**Adult Workshop** - To account for and report various day programs for individuals with intellectual and other developmental disabilities.

**Respite/Personal Care Attendant** - To account for and report the care of persons served on a temporary basis.

**Supervised Independent Living** - To account for and report on persons served with daily living needs.

**Dixie Community Home** - To account for and report the needs of the residents of the Dixie Community Home.

**Wellington Community Home** - To account for and report the needs of the residents of the Wellington Community Home.

**Lillian Marie Community Home** - To account for and report the needs of the residents of the Lillian Marie Community Home.

**COMBINING GOVERNMENTAL FUND  
BALANCE SHEET - GENERAL FUND DEPARTMENTS**

**Terrebonne ARC**

June 30, 2018

	Operating	Adult Workshop	Respite/ Personal Care Attendant
<b>Assets</b>			
Cash and cash equivalents	\$ 11,303,194	\$ 1,781	\$ -
Investments	2,500,000	-	-
Receivables:			
Accounts	3,205	21,791	-
Other	14,167	7,103	495
Due from other governmental units	-	202,312	121,113
Due from/(to) other departments	36,997	88,378	(88,291)
Inventories	10,231	99,074	-
Prepaid insurance	2,651	5,815	141
Deposits	19,400	4,729	-
	<u>\$ 13,889,845</u>	<u>\$ 430,983</u>	<u>\$ 33,458</u>
<b>Liabilities</b>			
Accounts payable and accrued expenditures	\$ 143,077	\$ 331,909	\$ 33,458
<b>Fund Balance</b>			
Nonspendable:			
Inventories	10,231	99,074	-
Prepaid insurance	10,285	-	-
Committed:			
Dedicated emergencies and contingency fund	6,291,248	-	-
Assigned:			
Subsequent years' expenditures next year's budgeted deficit	4,043,307	-	-
Donations	290,542	-	-
Unassigned	3,101,155	-	-
	<u>13,746,768</u>	<u>99,074</u>	<u>-</u>
Total fund balance	<u>\$ 13,889,845</u>	<u>\$ 430,983</u>	<u>\$ 33,458</u>
Total liabilities and fund balance	<u>\$ 13,889,845</u>	<u>\$ 430,983</u>	<u>\$ 33,458</u>

<u>Supervised Independent Living</u>	<u>Dixie Community Home</u>	<u>Wellington Community Home</u>	<u>Lillian Marie Community Home</u>	<u>Total</u>
\$ -	\$ 150	\$ 300	\$ 300	\$ 11,305,725
-	-	-	-	2,500,000
-	-	-	-	24,996
665	225	135	374	23,164
9,058	26,005	20,964	17,336	396,788
(4,573)	(12,118)	(12,149)	(8,244)	-
-	-	-	-	109,305
18	570	536	554	10,285
-	80	110	315	24,634
<u>\$ 5,168</u>	<u>\$ 14,912</u>	<u>\$ 9,896</u>	<u>\$ 10,635</u>	<u>\$ 14,394,897</u>
<u>\$ 5,168</u>	<u>\$ 14,912</u>	<u>\$ 9,896</u>	<u>\$ 10,635</u>	<u>\$ 549,055</u>
-	-	-	-	109,305
-	-	-	-	10,285
-	-	-	-	6,291,248
-	-	-	-	4,043,307
-	-	-	-	290,542
-	-	-	-	3,101,155
-	-	-	-	13,845,842
<u>\$ 5,168</u>	<u>\$ 14,912</u>	<u>\$ 9,896</u>	<u>\$ 10,635</u>	<u>\$ 14,394,897</u>

**COMBINING STATEMENT OF GOVERNMENTAL FUND REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE -  
GENERAL FUND DEPARTMENTS**

**Terrebonne ARC**

For the year ended June 30, 2018

	<u>Operating</u>	<u>Adult Workshop</u>	<u>Respite/ Personal Care Attendant</u>
<b>Revenues</b>			
Intergovernmental:			
Terrebonne Parish			
Consolidated Government	\$ 4,808,332	\$ -	\$ -
State of Louisiana:			
Department of Transportation	40,000	-	-
Other	2,217	-	-
Charges for services	58,494	2,747,849	703,443
Grants	-	19,000	-
Miscellaneous:			
Interest	151,276	-	-
Donations and dues	36,530	575	-
Other	47,171	1,054	-
	<u>5,144,020</u>	<u>2,768,478</u>	<u>703,443</u>
Total revenues			
<b>Expenditures</b>			
Health and welfare:			
Current:			
Personal services	2,040,505	3,383,860	640,413
Supplies and materials	135,521	205,187	2,515
Other services and charges	379,138	516,615	30,334
Repairs and maintenance	170,892	65,823	645
Central administration and services	(2,431,363)	1,642,126	341,483
Capital outlay	56,006	1,326,887	13,401
	<u>350,699</u>	<u>7,140,498</u>	<u>1,028,791</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures (carry forward)	<u>4,793,321</u>	<u>(4,372,020)</u>	<u>(325,348)</u>

<u>Supervised Independent Living</u>	<u>Dixie Community Home</u>	<u>Wellington Community Home</u>	<u>Lillian Marie Community Home</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 4,808,332
-	-	-	-	40,000
-	-	-	-	2,217
50,248	395,653	296,978	341,212	4,593,877
-	-	-	-	19,000
-	-	-	-	151,276
-	-	-	-	37,105
-	-	-	-	48,225
<u>50,248</u>	<u>395,653</u>	<u>296,978</u>	<u>341,212</u>	<u>9,700,032</u>
104,746	249,611	130,994	141,192	6,691,321
36	15,778	21,518	20,971	401,526
3,953	64,807	53,310	63,220	1,111,377
1,594	5,914	3,503	2,479	250,850
55,907	170,314	106,070	115,463	-
-	1,273	-	-	1,397,567
<u>166,236</u>	<u>507,697</u>	<u>315,395</u>	<u>343,325</u>	<u>9,852,641</u>
<u>(115,988)</u>	<u>(112,044)</u>	<u>(18,417)</u>	<u>(2,113)</u>	<u>(152,609)</u>

	<u>Operating</u>	<u>Adult Workshop</u>	<u>Respite/ Personal Care Attendant</u>
Excess (deficiency) of revenues over expenditures (brought forward)	<u>4,793,321</u>	<u>(4,372,020)</u>	<u>(325,348)</u>
<b>Other Financing Sources (Uses)</b>			
Operating transfers in:			
Operating	-	3,857,491	325,348
Dixie Community Home	-	186,031	-
Wellington Community Home	-	149,807	-
Lillian Marie Community Home	-	173,559	-
Operating transfers out:			
Adult Workshop	(3,857,491)	-	-
Respite/Personal Care Attendant	(325,348)	-	-
Supervised Independent Living	(115,988)	-	-
Dixie Community Home	(298,075)	-	-
Wellington Community Home	(168,224)	-	-
Lillian Marie Community Home	(175,672)	-	-
Total other financing sources (uses)	<u>(4,940,798)</u>	<u>4,366,888</u>	<u>325,348</u>
<b>Net Change in Fund Balances</b>	<b>(147,477)</b>	<b>(5,132)</b>	<b>-</b>
<b>Fund Balance</b>			
Beginning of year	<u>13,894,245</u>	<u>104,206</u>	<u>-</u>
End of year	<u>\$ 13,746,768</u>	<u>\$ 99,074</u>	<u>\$ -</u>

**Schedule 2  
(Continued)**

<u>Supervised Independent Living</u>	<u>Dixie Community Home</u>	<u>Wellington Community Home</u>	<u>Lillian Marie Community Home</u>	<u>Total</u>
<u>(115,988)</u>	<u>(112,044)</u>	<u>(18,417)</u>	<u>(2,113)</u>	<u>(152,609)</u>
115,988	298,075	168,224	175,672	4,940,798
-	-	-	-	186,031
-	-	-	-	149,807
-	-	-	-	173,559
-	(186,031)	(149,807)	(173,559)	(4,366,888)
-	-	-	-	(325,348)
-	-	-	-	(115,988)
-	-	-	-	(298,075)
-	-	-	-	(168,224)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,672)</u>
<u>115,988</u>	<u>112,044</u>	<u>18,417</u>	<u>2,113</u>	<u>-</u>
-	-	-	-	(152,609)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,998,451</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,845,842</u>

**SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD OR  
CHIEF EXECUTIVE OFFICER**

**Terrebonne ARC**

June 30, 2018

**Agency Head Name:** Mary Lynn Bisland

<b>Purpose</b>	<b>Amount</b>
Salary	\$ 129,127
Benefits - insurance	14,859
Benefits - retirement	5,376
Benefits - other	713
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	451
Membership fees	1,500
Registration fees	125
Conference travel	741
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<u>\$ 152,892</u>

Note: Mary Lynn Bisland is the Executive Director and functions as the Chief Executive Officer.

**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**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 Directors,  
Terrebonne ARC  
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 Terrebonne ARC (the Association), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2018, which collectively compromise the Association's financial statements and have issued our report thereon dated December 10, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Association'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Association'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 are 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### **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.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
December 10, 2018.

## SCHEDULE OF FINDINGS AND RESPONSES

### Terrebonne ARC

For the year ended June 30, 2018

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

##### a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified?                     yes     no
- Significant deficiency(ies) identified that are not  
  considered to be material weaknesses?             yes     none reported

Noncompliance material to financial statements noted?     yes     no

##### b) Federal Awards

Terrebonne ARC did not expend federal awards in excess of \$750,000 during the year ended June 30, 2018 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

#### Section II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended June 30, 2018.

#### Section III Federal Award Findings and Questioned Costs

Not applicable.

## **REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Terrebonne ARC**

For the year ended June 30, 2018

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

##### Internal Control

No material weaknesses were reported during the audit for the year ended June 30, 2017.  
No significant deficiencies were reported during the audit for the year ended June 30, 2017.

##### Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2017.

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

Terrebonne ARC did not expend federal awards in excess of \$750,000 during the year ended June 30, 2017 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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

A management letter was not issued in connection with the audit for the year ended June 30, 2017.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Terrebonne ARC**

For the year ended June 30, 2018

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

##### **Internal Control**

No material weaknesses were noted during the audit for the year ended June 30, 2018.

No significant deficiencies were reported during the audit for the year ended June 30, 2018.

##### **Compliance**

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2018.

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

Terrebonne ARC did not expend federal awards in excess of \$750,000 during the year ended June 30, 2018 and therefore is exempt from the audit requirements under a single audit under *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

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

A management letter was not issued in connection with the audit for the year ended June 30, 2018.

**STATEWIDE AGREED-UPON PROCEDURES**

**INDEPENDENT ACCOUNTANT'S REPORT ON**  
**APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors,  
Terrebonne ARC  
Houma, Louisiana.

We have performed the procedures described in Schedule 4, which were agreed to by the Terrebonne ARC (the Association) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the year ended June 30, 2018. The Association's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the Association of International Certified Professional Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 4.

We were not engaged to, and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on these C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 23:513, this report is distributed by the LLA as a public document.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants

Houma, Louisiana,  
December 10, 2018.

**SCHEDULE OF PROCEDURES AND ASSOCIATED FINDINGS OF THE  
STATEWIDE AGREED-UPON PROCEDURES**

**Terrebonne ARC**

For the year ended June 30, 2018

The required procedures and our findings are as follows:

**Procedures performed on the Association's Written Policies and Procedures:**

1. Obtain the Association's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Association does not have any written policies and procedure), as applicable:

a) Budgeting, including preparing, adopting, monitoring, and amending the budget

Performance: Obtained and read the written policy for budgeting, and found it contained all requirements listed above, except as noted below.

Exceptions: Management's policy on budgeting does not include a provision for monitoring the budget.

Management's response: Management will consider adding a provision for monitoring the budget.

b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Performance: Obtained and read the written policy for purchasing, and found it contained all requirements listed above, except as noted below.

Exceptions: Management's policy on purchasing does not include a provision discussing how vendors are added to the vendor list.

Management's response: Management will consider adding a provision discussing how vendors are added to the vendor list.

c) Disbursements, including processing, reviewing, and approving

Performance: Obtained and read the written policy for disbursements, and found it to contain the requirements included above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Written Policies and Procedures:  
(Continued)**

- d) Receipts/collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

Performance: Obtained and read the written policy for receipts/collections, and found it to contain the requirements listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Performance: Obtained and read the written policy for payroll/personnel, and found it contained all requirements listed above, except as noted below.

Exceptions: Although management's policy for payroll/personnel did include a provision for reviewing and approving leave, the policy does not include provisions discussing how payroll is processed or reviewing and approving time worked.

Management's response: Management will consider adding provisions discussing how payroll is processed and procedures for reviewing and approving time worked.

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Performance: Obtained and read written policy for contracting, and found it contained all requirements listed above, except as noted below.

Exceptions: Management's policy on contracting does not include a provision discussing the approval process of the contracts entered into.

Management's response: Management will consider adding a provision discussing the approval process for the contracts entered into by the Association.

- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Performance: Inquired of management as to a credit card policy

Exceptions: Management confirmed there is no policy for credit cards.

Management's response: Management will consider drafting a credit card policy.

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

**Procedures performed on the Association's Written Policies and Procedures:  
(Continued)**

Performance: Obtained and read the travel and expense reimbursement policy, and found it contained all requirements listed above, except as noted below.

Exceptions: Management's policy on travel and expense reimbursements does not include dollar thresholds by certain categories of expense.

Management's response: Management will consider adding dollar thresholds by category of expense.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Performance: Although the Association is a not-for-profit entity, and would generally be exempt from ethics requirements, due to an agreement between the Association and Terrebonne Parish Consolidated Government ethics requirements were tested. The Association's ethics policy was obtained and read, and it was found that the policy contained all requirements listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Performance: Inquired to management as to a written debt service policy.

Exceptions: Not applicable.

Management's response: Not applicable.

**Procedures performed on the Association's Board**

2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Performance: Obtained and read the written minutes of the Association's board and finance committee meetings.

Exceptions: The Association's board and finance committee meet once per month; however, the finance committee only met 11 times during the fiscal year due to a lack of quorum for a scheduled meeting.

**Procedures performed on the Association's Board: (Continued)**

Management's response: The board will reschedule cancelled meetings to be in compliance with their meeting schedules.

- b) Observe that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Performance: Inspected meeting minutes and the included budget-to-actual comparisons for the General Fund presented to the finance committee and board of directors. Obtained and read the written minutes of the board meetings. The meeting minutes reference the approval of monthly financial statements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

Performance: Obtained the prior year's audit report and observed the unrestricted fund balance in the general fund. The Association did not report a negative ending unrestricted fund balance.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Bank Reconciliations:**

3. Obtain a listing of the Association's bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Association's main operating account. Select the Association's main operating account and select 4 additional accounts (or all accounts if less than 5). Select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Bank Reconciliations: (Continued)**

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g. initialed and dated, electronically logged);

Performance: Observed that bank reconciliations were prepared within 2 months of the related statement closing date.

Exceptions: The bank reconciliations were not initialed by the preparer.

Management's response: Management will ensure that the bank reconciliations are initialed and dated by the preparer.

- b) Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and

Performance: Observed that a member of management or a board member reviewed each bank reconciliation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date.

Performance: Inspected documents for items outstanding for more than 12 months from the statement closing date.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Collections:**

4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Select 5 deposit sites (or all deposit sites if less than 5).

Performance: Obtained the listing of cash/checks/money orders (cash) deposit sites from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

**Procedures performed on the Association's Collections: (Continued)**

Performance: Obtained the listing of collection locations from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- a) Employees that are responsible for cash collections do not share cash drawers/registers.

Performance: Inspected policy manuals and inquired of management as to whether employees do not share cash drawers/registers.

Exceptions: Employees that are responsible for cash collections share the same cash register as the other employees.

Management's response: Due to the cost benefit relationship, the cost of providing an additional employee to make the deposits at each of these locations outweighs the benefit to the Association. Due to the cost benefit relationship, the cost of providing separate cash registers to each employee outweighs the benefit to the Association. However, management will make an effort to limit the use of the cash register to one employee at each location per day.

- b) Each employee responsible for collection cash is not responsible for preparing/making bank deposits, unless other employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

Performance: Inspected policy manuals and inquired of management as to whether employees collecting cash are not responsible for making deposits.

Exceptions: Employees that are responsible for collecting cash are responsible for preparing/making bank deposits.

Management's response: Due to the cost benefit relationship, the cost of providing an additional employee to make the deposits at each of these locations outweighs the benefit to the Association.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Performance: Inspected policy manuals and inquired of management and observed employees collecting cash do not make general ledger postings.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

**Procedures performed on the Association's Collections: (Continued)**

Performance: Inspected policy manuals and inquired of management and observed employees collecting cash do not make general ledger postings.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.

Performance: Obtained a listing of all employees who have access to cash and inquired of management if these employees are covered by a bond or insurance policy for theft.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Procedures performed on the Association's Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates selected and select a deposit if multiple deposits were made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered.

Performance: Obtained supporting documentation for the 10 selected deposits and observed that receipts were sequentially pre-numbered.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

Performance: Traced supporting documentation to the deposit slip.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Trace the deposit slip total to the actual deposit per the bank statement.

Performance: Traced deposit slip total to actual deposit per bank statement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Collections: (Continued)**

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).

Performance: Observed that the deposit was made within one business day of receipt.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- e) Trace the actual deposit per the bank statement to the general ledger.

Performance: Traced the actual deposit per the bank statement to the general ledger.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases):**

8. Obtain a listing of locations that process payments for the fiscal period, and management's representation that the listing is complete. Select 5 locations (or all locations if less than 5)

Performance: Obtained the listing of location that process payments, and received management's representation in a separate letter. The Association only has one location that processes payments.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the Association has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

Performance: Obtained a listing of those employees involved with non-payroll purchasing and payments functions, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Performance: Inspected policy manuals and inquired of management and employees as to the requirement listed above.

**Procedures performed on the Association's Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases):  
(Continued)**

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) At least two employees are involved in processing and approving payments to vendors.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) The employees responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

Performance: Inspected policy manuals and inquired of management and employees as to the requirement listed above.

Exceptions: The accounts payable clerk is responsible for adding vendors to the system, as well as processing payments.

Management's response: Management will consider an improved process for adding vendors to the system.

- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Performance: Inspected policy manuals and inquired of management and employees as to requirement listed above.

Exceptions: The accounts payable clerk is responsible for mailing payments, as well as processing payments.

Management's response: Management will consider an improved process for mailing payments.

10. For each location selected under #8 above, obtain the Association's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

Performance: Obtained the Association's general ledger for the fiscal period, and obtained management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases):  
(Continued)**

- a) Observe that the disbursement matched the related original invoice/billing statement.

Performance: Obtained the disbursement and observed that the disbursement and the related original invoice/billing statement were in agreement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Performance: Obtained the disbursement documentation and observed for proper segregation of duties as listed under #9 above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Credit Cards, Debit Cards, Fuel Cards, P-cards:**

Prior year testing resulted in no exceptions related to credit cards, debit cards, fuel cards, P-cards. Therefore, testing was not required in the current year.

**Procedures performed on the Association's Travel and Travel-Related Expense reimbursements:**

11. Obtain from management a listing of all travel and related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

Performance: Obtained a list of all travel and travel related expense reimbursements, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

**Procedures performed on the Association's Travel and Travel-Related Expense reimbursements: (Continued)**

Performance: Selected 5 reimbursements and obtained the supporting documentation.  
Observed that the reimbursements were reimbursed using actual costs, not using a per diem.

Exceptions: Not applicable.

Management's response: Not applicable.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

Performance: Selected 5 reimbursements and obtained the supporting documentation.

Observed that the reimbursement was supported by original itemized receipt.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).

Performance: Selected 5 reimbursements and obtained the supporting documentation.

Observed that each reimbursement has evidence of documentation of the business/public purpose and other documentation required by written policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.

Performance: Selected 5 reimbursements and obtained the supporting documentation.

Observed that each reimbursement was reviewed and approved by someone other than the person receiving the reimbursement.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

**Procedures performed on the Association's Contracts:**

Prior year testing resulted in no exceptions related to contracts. Therefore, testing was not required in the current year.

**Procedures performed on the Association's Payroll and Personnel:**

Prior year testing resulted in no exceptions related to payroll and personnel. Therefore, testing was not required in the current year.

**Procedures performed on the Association's Ethics:**

12. Using 5 selected employees/officials, obtain ethics compliance documentation from management and:

- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

Performance: Inquired of management of any documentation to demonstrate that required ethics training was completed.

Exceptions: The Association is required to follow the state ethics laws by contract with TPCG. There was no documentation of completion of ethics training for the 5 selected employees for the fiscal period.

Management's response: Management will ensure that all employees complete the yearly ethics training and maintain documentation of completion.

- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the Association's ethics policy during the fiscal period.

Performance: Inquired of management of any documentation to demonstrate that each employee/official attested through signature verification that he or she has read the Association's ethics policy during the fiscal period.

Exceptions: The Association requires signature verification upon hire; signature verification was provided for two of the selected employees upon hire during the fiscal period. There was no documentation for the remaining 3 selected employees that each attested through signature verification that he/she has read the Association's ethics policy during the fiscal period.

Management's response: Management will require each employee/official to attest annually through signature verification that he or she has read the Association's ethics policy during the fiscal period.

**Procedures performed on the Association's Debt Service:**

Prior year testing resulted in no exceptions related to debt service. Therefore, testing was not required in the current year. Also, there was no new debt in the current year.

**Other procedures performed on the Association:**

13. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the Association reported the misappropriation(s) to the Legislative Auditor and the District Attorney of the parish in which the Association is domiciled.

Performance: Inquired of management for listing of any misappropriations of public funds or assets, none were noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

14. Observe and report whether the Association has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inquired and observed such notice posted on the premises and website.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.