

Financial Report
Terrebonne ARC
Houma, Louisiana
For the year ended June 30, 2017

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Terrebonne ARC

For the year ended June 30, 2017

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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, 2017, 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, 2017, 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 basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's financial statements as a whole. The accompanying Combining Governmental Fund Balance Sheet – General Fund Departments at June 30, 2017, 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, 2017, 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 14, 2017 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 the 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.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
December 14, 2017.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Terrebonne ARC

June 30, 2017

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, 2017. 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, 2017 by \$19,911,487 (net position), which represents a 6.0% increase from last fiscal year. Of this amount, \$13,827,394 (unrestricted net position) may be used to meet the Association's ongoing obligations.
- Intergovernmental revenues increased by \$182,020 or 3.7% due to an increase in federal grant funds received from the Louisiana Department of Transportation and Development and drawdowns from Terrebonne Parish Consolidated Government from the parish-wide ad valorem tax. Charges for service revenues increased by \$198,514 or 4.6% due to increases in services provided. Grant revenue of \$16,000 consists of grants from the Greater New Orleans Foundation and Conoco Phillips. Miscellaneous revenues increased by \$149,855 or 120.0% primarily due to an increase in interest rates and the donation of a house and vehicle. Total revenues increased by \$546,389 or 5.8%.
- The Association's total expenses increased by \$402,768 or 4.8%. Personal services increased by \$261,950 or 4.2% due to salary and benefit cost increases. Supplies and materials decreased by \$10,616 or 2.7% primarily due to a decrease in food purchases due to declining sales. Other services and charges increased by \$55,795 or 5.6% due to costs related to the opening of two thrift stores, an increase in legal fees, expenses related to increased sales and equipment and data charges for a state required electronic visit verification system. Repairs and maintenance increased by \$56,745 or 23.3% due to tree trimming and removal costs and an increase in repairs to vehicles, equipment and buildings. Depreciation increased \$38,894 or 8.8% due to a new donated home, renovations to new thrift store buildings and the purchase of several new vehicles.
- The Association's governmental fund reported that total assets increased by \$542,012 or 4.0% while total liabilities decreased by \$200,233 or 50.9%. Assets exceeded liabilities at June 30, 2017 by \$13,998,451 (fund balance) with an increase of \$742,245 or 5.6%. Of this nearly \$14 million in fund balance, \$124,334 is non-spendable, \$6,086,218 is committed for dedicated emergencies and contingencies, \$2,089,043 is assigned for next year's budget deficit and \$275,703 received from donations is assigned for designated expenditures. Unassigned fund balance amounted to \$5,423,153 at June 30, 2017.

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, 2017, with comparative figures from June 30, 2016:

TABLE A-1
Condensed Statement of Net Position

	<u>June 30,</u>		<u>Dollar</u> <u>Change</u>	<u>Total</u> <u>Percent</u> <u>Change</u>
	<u>2017</u>	<u>2016</u>		
Current and other assets	\$ 14,191,409	\$ 13,649,397	\$ 542,012	4.0%
Capital assets	6,084,093	5,711,126	372,967	6.5%
Total assets	<u>20,275,502</u>	<u>19,360,523</u>	<u>914,979</u>	4.7%
Other liabilities	192,958	393,191	(200,233)	-50.9%
Long-term liabilities	171,057	178,716	(7,659)	-4.3%
Total liabilities	<u>364,015</u>	<u>571,907</u>	<u>(207,892)</u>	-36.4%
Net position:				
Net investment in capital assets	6,084,093	5,711,126	372,967	6.5%
Unrestricted	13,827,394	13,077,490	749,904	5.7%
Total net position	<u>\$ 19,911,487</u>	<u>\$ 18,788,616</u>	<u>\$ 1,122,871</u>	6.0%

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

Approximately 30.6% of the Association's net assets as of June 30, 2017, 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 69.4% 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, 2017, with comparative figures from June 30, 2016:

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>2017</u>	<u>2016</u>		
Revenues:				
Intergovernmental	\$ 5,051,033	\$ 4,869,013	\$ 182,020	3.7%
Charges for services	4,559,357	4,360,843	198,514	4.6%
Grants	16,000	-	16,000	100.0%
Miscellaneous	274,769	124,914	149,855	120.0%
Total revenues	<u>9,901,159</u>	<u>9,354,770</u>	<u>546,389</u>	<u>5.8%</u>
Expenses:				
Health and welfare	<u>8,778,288</u>	<u>8,375,520</u>	<u>402,768</u>	<u>4.8%</u>
Change in net position	1,122,871	979,250	143,621	14.7%
Beginning net position	<u>18,788,616</u>	<u>17,809,366</u>	<u>979,250</u>	<u>5.5%</u>
Ending net position	<u>\$ 19,911,487</u>	<u>\$ 18,788,616</u>	<u>\$ 1,122,871</u>	<u>6.0%</u>

The Association's net position increased by \$1,122,871 during the current year, due to an increase in federal funds received from the Louisiana Department of Transportation and Development, 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, 2017 were approximately \$9.9 million. There are four funding categories: intergovernmental (51.0%), charges for services (46.0%), grants (0.2%), and miscellaneous (2.8%). The largest single funding source is local funding from the Terrebonne Parish Consolidated Government, as described above, (intergovernmental category) at 48.5% of total revenues. Medicaid Waiver funds at 20.3%, Title XIX funds at 8.7%, and community work contracts at 13.5% are included in the charges for services category which represents 46.0% of total revenues. Increases in intergovernmental revenues were a result of increases in funds received from the Louisiana Department of Transportation and Development and drawdowns from Terrebonne Parish Consolidated Government from the parish-wide ad valorem tax. 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 increased due to an increase in interest rates and the donation of a house and vehicle.

General Fund expenditures were approximately \$9.2 million for the year ended June 30, 2017. 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 our largest expense category at 71.8%. The other categories are supplies and materials at 4.1%, other services and charges at 11.4%, and repairs and maintenance at 3.3%. Capital outlay, which exhibits the most variance from year to year, represented 9.4% of total expenditures for the year ended June 30, 2017.

There was an increase in personal services costs this year due to employee pay increases and an increase in the number of employees participating in the Association's benefit packages. A decrease in supplies and materials resulted from a decrease in food purchases due to declining sales. Other services and charges increased due to costs related to opening two thrift stores, an increase in legal fees, expenses related to increased sales and equipment and data charges for a state required electronic visit verification system. Repairs and maintenance increased due to tree trimming and removal costs and an increase in repairs to vehicles, equipment and buildings. Capital outlay decreased due to the purchase of two commercial buildings for thrift stores located in the community in the prior year.

The Association's financial position has continued to improve over the past several years and improved this year due to an excess of revenue over expenditures of \$742,245. 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 organization will now have to evacuate when tropical storms threaten the area, evacuation costs could increase significantly. The total financial effect 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 increased due to increases in federal grant funds received from the Louisiana Department of Transportation and Development, drawdowns from Terrebonne Parish Consolidated Government from the parish-wide ad valorem tax, interest rates and donations. Personal services costs increased as a result of annual pay increases and more employees participating in the Association's benefit program. Expenditures for supplies and materials decreased due a decrease in food purchases resulting from more clients moving to community locations and no longer purchasing lunch from the cafeteria. Other services and charges increased due to an increase in legal fees. Maintenance and repair costs increased due to more building and grounds repairs during the current year, including tree trimming. Capital assets costs increased due to the donation, and subsequent renovations, of a house and the purchase of vehicle through a federal grant received from the Louisiana Department of Transportation and Development.

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 who administers daily medications and handles emergency medical situations.

Adult Workshop Department:

The Association's Adult Workshop Department revenues increased this year because of an increase in services provided, grants received and the donation of a vehicle. Total expenditures decreased as a result of the purchase of two commercial buildings for two new thrift stores in the prior year despite increases in wages for both staff and individuals served and benefit costs during the current year. Additional costs were incurred during the year related to the opening and operations of the two new thrift stores such as renovations, utilities and insurance premiums. Capital purchases included land to build a beignet, bakery and candy shop and the purchase of two vehicles. 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, greenhouse, 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 an increase in wages and employees participating in the Association's benefit program. Additional costs were also incurred for the purchase of equipment and data fees related to the implementation of the state required electronic visit verification system.

Supervised Independent Living (SIL) Department:

Supervised Independent Living provides assistance to individuals served with daily living. Revenue in the program decreased slightly. Expenses in the program decreased primarily due to the purchase of computers in the prior year.

Dixie Community Home Department:

Dixie Community Home revenues increased due to the admission of an individual during the prior year. Expenses increased due to an increase in wages and renovations made to the home.

Wellington Community Home Department:

Wellington Community Home revenues increased slightly due to the admission of an individual during the prior year. Expenses increased due to the purchase of a vehicle.

Lillian Marie Community Home Department:

Lillian Marie Community Home revenue decreased slightly. Expenses increased due to the purchase of a vehicle.

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 grant revenue from the Louisiana Department of Transportation and Development, taxes received from the State of Louisiana, additional services provided, grants and donations received, and an increase in investment earnings. The budget was also amended to reflect an increase in other services and charges due to legal costs associated with current litigation and increased pest control costs. The budget amendment reflects an increase in repairs and maintenance due to the significant vehicle, equipment and building repairs and tree trimming costs. 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 due to declining sales. Capital outlay costs were added for donation of a house and subsequent renovations, purchase of land and architect fees for the construction of a beignet shop and renovations to two new thrift store buildings not completed in the prior year. 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 \$249,826 from a deficit of \$842,358 to a deficit of \$1,092,184. This increase was the result of an increase in revenues of \$264,461 and a net increase in expenditures of \$514,287. There was a 3.1% favorable budget variance in revenues due to millage revenue greater than anticipated and an increase in revenue from services for waiver as well as an increase in the sale of services and products of the Association's various businesses. Donations, grants and surplus vehicle sales were not anticipated. Expenditures were less than budget by 14.4% since salaries are budgeted as being fully staffed when several positions were vacant for part of the year. Also, benefits costs did not increase as much as anticipated. The purchase of a two shuttle vehicles through state grants were not completed by June 30, 2017. Also, disaster, food, fuel, travel, supplies and repair costs were less than anticipated. Consequently, the result of operations, which was projected as a deficit of approximately \$1.1 million, was actually a surplus of approximately \$740 thousand or 7.5% of revenues.

CAPITAL ASSET ADMINISTRATION

The Association's net investment in capital assets as of June 30, 2017, amounts to \$6,084,093 (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 \$372,967, or 6.5%, 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>2017</u>	<u>2016</u>		
Land	\$ 478,615	\$ 257,395	\$ 221,220	85.95%
Construction in progress	48,132	10,725	37,407	348.78%
Buildings	4,582,032	4,509,632	72,400	1.61%
Office furniture, equipment, and fixtures	387,147	408,432	(21,285)	-5.21%
Machinery and equipment	588,167	524,942	63,225	12.04%
Totals	<u>\$ 6,084,093</u>	<u>\$ 5,711,126</u>	<u>\$ 372,967</u>	<u>6.53%</u>

This year's capital improvements included the following:

Building/Land improvements - \$236,430

Land - \$221,220

Building - \$98,000

Air conditioning system replacement - \$10,800

Vehicles - \$203,973

Computers/office equipment - \$13,984

Machinery & equipment - \$34,709

Furniture - \$2,297

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

Disposal of furniture/equipment - \$12,953

Building improvements - \$13,470

Vehicles - \$126,194

The Association's fiscal year 2018 capital budget includes \$1,778,688 for capital expenditures, principally for construction of a beignet, bakery and candy shop and architect fees for the construction of a new restaurant and gift shop. Expenditures also include vinyl siding replacement on several buildings, renovations to the bus garage, purchase of equipment and the replacement of vehicles, air conditioning and computer equipment. 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 2018 budget. These factors include any unusual conditions, one-time expenditures and changes in rates or fees that occurred during the 2017 fiscal year or whose effects are determinable at the time of budget preparations for the 2018 fiscal year. Accordingly, any possible Medicaid funding reductions or increased evacuation expenditures discussed on page 8 have not been incorporated into the budget for 2018.

Revenues and other sources for fiscal year 2018 are projected to be \$9,435,928, \$465,231 less than 2017 fiscal year revenues and other sources. The most significant decrease is in revenue received from the Louisiana Department of Transportation and Development and donations. Budgeted expenditures are expected to rise 25.83% from fiscal year ended June 30, 2017 to \$11,524,971. The most significant increase is in personal services as a result of all positions being budgeted at full time status with pay increases and anticipated increased in employee benefit costs. Supply costs are expected to increase due to anticipated increases in fuel, food and the implementation of new regulations. Other services and charges are also expected to increase due to projected increases in certification expenses related to CARF accreditation, in service training expenses for new online training program, insurance, and travel costs. Repairs costs are expected to remain about the same. Capital asset costs are expected to increase due to the construction of a beignet, bakery and candy shop and architect fees for the construction of a new restaurant and gift shop. The Association's fund balance is expected to decrease by \$2,089,043.

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, 2017

Assets

Cash and cash equivalents	\$ 10,998,775
Investments	2,500,000
Receivables:	
Accounts	23,584
Other	12,718
Due from other governmental units	526,374
Inventories	115,358
Prepaid insurance	8,976
Deposits	5,624
Other capital assets:	
Non-depreciable	526,747
Depreciable, net of accumulated depreciation	<u>5,557,346</u>
Total assets	<u>20,275,502</u>

Liabilities

Accounts payable and accrued expenditures	192,958
Long-term liabilities -	
Due after one year	<u>171,057</u>
Total liabilities	<u>364,015</u>

Net Position

Net investment in capital assets	6,084,093
Unrestricted	<u>13,827,394</u>
Total net position	<u>\$ 19,911,487</u>

See notes to financial statements.

STATEMENT OF ACTIVITIES

Terrebonne ARC

For the year ended June 30, 2017

<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</u>
			<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Total Governmental Activities</u>
Governmental activities:						
Health, welfare and social services:						
Adult Workshop	\$ 4,245,656	\$ 1,627,904	\$ 2,705,345	\$ 15,891		\$ (3,152,324)
Residential	1,670,671	739,779	1,789,637	109		(620,704)
Administrative	2,861,961	(2,367,683)	64,375	200,500	\$ 48,922	(180,481)
Total governmental activities	<u>\$ 8,778,288</u>	<u>\$ -</u>	<u>\$ 4,559,357</u>	<u>\$ 216,500</u>	<u>\$ 48,922</u>	<u>(3,953,509)</u>
General revenues:						
Grants and contributions not restricted to specific programs						4,801,611
Miscellaneous						274,769
Total general revenues						<u>5,076,380</u>
					Change in net position	1,122,871
Net position:						
Beginning						<u>18,788,616</u>
Ending						<u>\$ 19,911,487</u>

See notes to financial statements.

GOVERNMENTAL FUND BALANCE SHEET**Terrebonne ARC**

June 30, 2017

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 10,998,775
Investments	2,500,000
Receivables:	
Accounts	23,584
Other	12,718
Due from other governmental units	526,374
Inventories	115,358
Prepaid insurance	8,976
Deposits	<u>5,624</u>
 Total assets	 <u>\$ 14,191,409</u>
Liabilities	
Accounts payable and accrued expenditures	<u>\$ 192,958</u>
Fund Balance	
Nonspendable:	
Inventories	115,358
Prepaid insurance	8,976
Committed:	
Dedicated emergencies and contingency fund	6,086,218
Assigned:	
Subsequent years' expenditures:	
Next year's budget deficit	2,089,043
Donations	275,703
Unassigned	<u>5,423,153</u>
 Total fund balance	 <u>13,998,451</u>
 Total liabilities and fund balance	 <u>\$ 14,191,409</u>

See notes to financial statements.

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

Terrebonne ARC

June 30, 2017

Fund Balances - Governmental Fund		\$ 13,998,451
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	\$ 11,736,822	
Less accumulated depreciation	<u>(5,652,729)</u>	6,084,093
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Compensated absences payable		<u>(171,057)</u>
Net Position of Governmental Activities		<u>\$ 19,911,487</u>

See notes to financial statements.

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

Terrebonne ARC

For the year ended June 30, 2017

	<u>General Fund</u>
Revenues	
Intergovernmental:	
Terrebonne Parish Consolidated	
Government	\$ 4,799,171
Department of Transportation	249,422
State of Louisiana	2,440
Charges for services	4,559,357
Grants	16,000
Miscellaneous	<u>274,769</u>
Total revenues	<u>9,901,159</u>
Expenditures	
Health and welfare:	
Current:	
Personal services	6,579,505
Supplies and materials	379,395
Other services and charges	1,040,694
Repairs and maintenance	300,500
Capital outlay	<u>858,820</u>
Total expenditures	<u>9,158,914</u>
Excess of revenues over expenditures	742,245
Fund Balance	
Beginning of year	<u>13,256,206</u>
End of year	<u>\$ 13,998,451</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, 2017

Net Change in Fund Balance - Governmental Fund		\$ 742,245
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	\$ 858,820	
Depreciation expense	<u>(480,191)</u>	
Excess of capital outlay over depreciation expense		378,629
The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins and donations, is to decrease net assets.		
		(5,662)
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.		
Decrease in compensated absences payable		<u>7,659</u>
Change in Net Position of Governmental Activities		<u><u>\$ 1,122,871</u></u>

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, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental:				
Terrebonne Parish Consolidated				
Government	\$ 4,750,000	\$ 4,750,000	\$ 4,799,171	\$ 49,171
Department of Transportation	200,500	249,422	249,422	-
State of Louisiana	-	2,000	2,440	440
Charges for services	4,309,846	4,368,851	4,559,357	190,506
Grants	-	6,000	16,000	10,000
Miscellaneous	76,000	224,534	274,769	50,235
	<u>9,336,346</u>	<u>9,600,807</u>	<u>9,901,159</u>	<u>300,352</u>
Total revenues				
Expenditures				
Health and welfare:				
Current:				
Personal services	7,671,193	7,645,458	6,579,505	1,065,953
Supplies and materials	502,241	477,191	379,395	97,796
Other services and charges	1,142,820	1,161,078	1,040,694	120,384
Repairs and maintenance	287,350	337,450	300,500	36,950
Capital outlay	575,100	1,071,814	858,820	212,994
	<u>10,178,704</u>	<u>10,692,991</u>	<u>9,158,914</u>	<u>1,534,077</u>
Total expenditures				
Net Change in Fund Balance	(842,358)	(1,092,184)	742,245	1,834,429
Fund Balance				
Beginning of year	<u>13,256,206</u>	<u>13,256,206</u>	<u>13,256,206</u>	<u>-</u>
End of year	<u>\$ 12,413,848</u>	<u>\$ 12,164,022</u>	<u>\$ 13,998,451</u>	<u>\$ 1,834,429</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Terrebonne ARC**

June 30, 2017

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, 2017.

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 4.6% 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, 2014 and later remain subject to examination by the taxing authorities. As of June 30, 2017, 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, 2017 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, 2017.

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, 2017, the Association implemented the following GASB Statements:

Statement No. 74, "*Financial Reporting for Postemployment Benefit Plans other than Pension Plans.*" The Statement addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria and follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments and also sets forth note disclosure requirements for defined contribution OPEB plans. This Statement did not affect the Association's financial statements.

Statement No. 77, "*Tax Abatement Disclosures*" defines tax abatements as reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments. This Statement requires disclosures of the government's own tax abatement agreements and those tax abatement agreements of other governments that reduce the government's revenue. This Statement did not affect the Association's financial statements.

Statement No. 78, "*Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*" amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This Statement did not affect the Association's financial statements.

Statement No. 79, "*Certain External Investment Pools and Pool Participants*" establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Statement No. 80, "*Blending Requirement for Certain Component Units*" improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This requirement enhances comparability and decision usefulness of financial statements among governments. This Statement did not affect the Association's financial statements.

Statement No. 82, "*Pension Issues*" addresses several issues raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans*," No. 68, "*Accounting and Financial Reporting for Pensions*," and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*." Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement did not affect the Association's financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

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

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. Management has not yet determined the effect of this Statement on the 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. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. Management has not yet determined the effect of this statement on the financial statements.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (continued)

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. 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. 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 topics covered, GASB is allowing the option of early implementation for single topics. Management has not yet determined the effect of this Statement on the 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. Earlier application is encouraged. 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. 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.

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	\$ 1,823,853	\$ 1,797,895
Certificates of Deposit	2,500,000	2,500,000
Totals	\$ 4,323,853	\$ 4,297,895

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

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, 2017, \$3,531,181 of the Association's bank balance of \$4,323,853 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.

At June 30, 2017, 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.

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2017 amounted to \$9,197,386 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	\$	3,494
Reported amount of deposits		4,297,895
Reported amount of investments		<u>9,197,386</u>
 Total	 \$	 <u>13,498,775</u>
 Cash and cash equivalents	 \$	 10,998,775
Investments		<u>2,500,000</u>
 Total	 \$	 <u>13,498,775</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 \$4,799,171 net of \$34,999 withheld by the Parish for administrative expenses, during the year ended June 30, 2017. 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, 2017 consisted of the following:

State of Louisiana -	
Department of Health:	
Office of Family Security:	
Title XIX - Per Diem	\$ 68,528
Office for Citizens with	
Developmental Disabilities:	
Adult Habilitation	201,770
Independent Apartment Living	8,685
Respite	119,446
Department of Transportation:	127,724
Department of Revenue:	<u>221</u>
Total	<u><u>\$ 526,374</u></u>

Note 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2017 follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated:				
Land	\$ 257,395	\$ 221,220	\$ -	\$ 478,615
Construction in progress	10,725	173,544	(136,137)	48,132
Total capital assets not being depreciated	<u>268,120</u>	<u>394,764</u>	<u>(136,137)</u>	<u>526,747</u>
Capital assets being depreciated:				
Buildings	7,872,065	334,430	(13,470)	8,193,025
Office furniture, equipment and fixtures	1,317,894	51,335	(4,025)	1,365,204
Machinery and equipment	1,572,540	214,428	(135,122)	1,651,846
Total capital assets being depreciated	<u>10,762,499</u>	<u>600,193</u>	<u>(152,617)</u>	<u>11,210,075</u>
Less accumulated depreciation for:				
Buildings	(3,362,433)	(261,076)	12,516	(3,610,993)
Office furniture, equipment and fixtures	(909,462)	(70,791)	2,196	(978,057)
Machinery and equipment	(1,047,598)	(148,324)	132,243	(1,063,679)
Total accumulated depreciation	<u>(5,319,493)</u>	<u>(480,191)</u>	<u>146,955</u>	<u>(5,652,729)</u>
Total capital assets being depreciated, net	<u>5,443,006</u>	<u>120,002</u>	<u>(5,662)</u>	<u>5,557,346</u>
Total capital assets, net	<u>\$ 5,711,126</u>	<u>\$ 514,766</u>	<u>\$ (141,799)</u>	<u>\$ 6,084,093</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following governmental activities:

<u>Governmental Activity</u>	
Administrative	\$ 175,757
Adult Workshop	231,184
Residential	73,250
Total	<u>\$ 480,191</u>

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures at June 30, 2017 consisted of the following:

Vendors	\$ 95,136
Salaries and Benefits	97,822
Total	<u>\$ 192,958</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, 2017:

Long-term obligations, July 1, 2016	\$ 178,716
Net decrease in accumulated unpaid vacation and sick leave	<u>(7,659)</u>
Long-term obligations, June 30, 2017	<u>\$ 171,057</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%. For the year ended June 30, 2017 employee contributions totaled \$174,934 and the Association recognized a pension expense of \$85,323.

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, 2017.

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 14, 2017, 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 the needs of 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, 2017

	<u>Operating</u>	<u>Adult Workshop</u>	<u>Respite/ Personal Care Attendant</u>
Assets			
Cash and cash equivalents	\$ 10,995,981	\$ 2,044	\$ -
Investments	2,500,000	-	-
Receivables:			
Accounts	1,069	22,515	-
Other	9,243	2,524	141
Due from other governmental units	126,937	202,778	119,446
Due from/(to) other departments	318,471	(151,899)	(107,135)
Inventories	11,152	104,206	-
Prepaid insurance	3,063	4,413	-
Deposits	540	4,579	-
	<u>\$ 13,966,456</u>	<u>\$ 191,160</u>	<u>\$ 12,452</u>
Liabilities			
Accounts payable and accrued expenditures	<u>\$ 72,211</u>	<u>\$ 86,954</u>	<u>\$ 12,452</u>
Fund Balance			
Nonspendable:			
Inventories	11,152	104,206	-
Prepaid insurance	8,976	-	-
Committed:			
Dedicated emergencies and contingency fund	6,086,218	-	-
Assigned:			
Subsequent years' expenditures next year's budgeted deficit	2,089,043	-	-
Donations	275,703	-	-
Unassigned	<u>5,423,153</u>	<u>-</u>	<u>-</u>
	<u>13,894,245</u>	<u>104,206</u>	<u>-</u>
Total fund balance	<u>\$ 13,966,456</u>	<u>\$ 191,160</u>	<u>\$ 12,452</u>
Total liabilities and fund balance	<u>\$ 13,966,456</u>	<u>\$ 191,160</u>	<u>\$ 12,452</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	\$ 10,998,775
-	-	-	-	2,500,000
-	-	-	-	23,584
575	64	51	120	12,718
8,685	26,774	20,693	21,061	526,374
(9,102)	(19,367)	(15,538)	(15,430)	-
-	-	-	-	115,358
-	492	492	516	8,976
-	80	110	315	5,624
<u>\$ 158</u>	<u>\$ 8,193</u>	<u>\$ 6,108</u>	<u>\$ 6,882</u>	<u>\$ 14,191,409</u>
<u>\$ 158</u>	<u>\$ 8,193</u>	<u>\$ 6,108</u>	<u>\$ 6,882</u>	<u>\$ 192,958</u>
-	-	-	-	115,358
-	-	-	-	8,976
-	-	-	-	6,086,218
-	-	-	-	2,089,043
-	-	-	-	275,703
-	-	-	-	5,423,153
-	-	-	-	13,998,451
<u>\$ 158</u>	<u>\$ 8,193</u>	<u>\$ 6,108</u>	<u>\$ 6,882</u>	<u>\$ 14,191,409</u>

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

Terrebonne ARC

For the year ended June 30, 2017

	<u>Operating</u>	<u>Adult Workshop</u>	<u>Respite/ Personal Care Attendant</u>
Revenues			
Intergovernmental:			
Terrebonne Parish			
Consolidated Government	\$ 4,799,171	\$ -	\$ -
Department of Transportation	249,422	-	-
State of Louisiana	2,440	-	-
Charges for services	64,375	2,705,345	693,187
Grants	-	15,891	109
Miscellaneous:			
Interest	78,108	-	-
Donations and dues	147,120	25,248	-
Other	21,293	3,000	-
	<u>5,361,929</u>	<u>2,749,484</u>	<u>693,296</u>
Total revenues			
Expenditures			
Health and welfare:			
Current:			
Personal services	2,012,980	3,257,162	646,939
Supplies and materials	134,192	190,009	1,328
Other services and charges	347,029	478,159	32,361
Repairs and maintenance	189,021	94,797	1,931
Central administration and services	(2,367,683)	1,627,904	316,232
Capital outlay	239,102	548,360	-
	<u>554,641</u>	<u>6,196,391</u>	<u>998,791</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures (carry forward)	<u>4,807,288</u>	<u>(3,446,907)</u>	<u>(305,495)</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>
\$ -	\$ -	\$ -	\$ -	\$ 4,799,171
-	-	-	-	249,422
-	-	-	-	2,440
58,121	395,607	297,219	345,503	4,559,357
-	-	-	-	16,000
-	-	-	-	78,108
-	-	-	-	172,368
-	-	-	-	24,293
<u>58,121</u>	<u>395,607</u>	<u>297,219</u>	<u>345,503</u>	<u>9,901,159</u>
115,236	262,941	144,325	139,922	6,579,505
730	15,018	18,375	19,743	379,395
5,910	62,709	52,068	62,458	1,040,694
815	4,305	5,146	4,485	300,500
56,843	159,827	101,888	104,989	-
-	21,558	24,900	24,900	858,820
<u>179,534</u>	<u>526,358</u>	<u>346,702</u>	<u>356,497</u>	<u>9,158,914</u>
<u>(121,413)</u>	<u>(130,751)</u>	<u>(49,483)</u>	<u>(10,994)</u>	<u>742,245</u>

	<u>Operating</u>	<u>Adult Workshop</u>	<u>Respite/ Personal Care Attendant</u>
Excess (deficiency) of revenues over expenditures (brought forward)	4,807,288	(3,446,907)	(305,495)
Other Financing Sources (Uses)			
Operating transfers in:			
Operating	-	2,985,524	305,495
Dixie Community Home	-	170,113	-
Wellington Community Home	-	139,476	-
Lillian Marie Community Home	-	164,987	-
Operating transfers out:			
Adult Workshop	(2,985,524)	-	-
Respite/Personal Care Attendant	(305,495)	-	-
Supervised Independent Living	(121,413)	-	-
Dixie Community Home	(300,864)	-	-
Wellington Community Home	(188,959)	-	-
Lillian Marie Community Home	(175,981)	-	-
Total other financing sources (uses)	<u>(4,078,236)</u>	<u>3,460,100</u>	<u>305,495</u>
Net Change in Fund Balances	729,052	13,193	-
Fund Balance			
Beginning of year	<u>13,165,193</u>	<u>91,013</u>	<u>-</u>
End of year	<u>\$ 13,894,245</u>	<u>\$ 104,206</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>(121,413)</u>	<u>(130,751)</u>	<u>(49,483)</u>	<u>(10,994)</u>	<u>742,245</u>
121,413	300,864	188,959	175,981	4,078,236
-	-	-	-	170,113
-	-	-	-	139,476
-	-	-	-	164,987
-	(170,113)	(139,476)	(164,987)	(3,460,100)
-	-	-	-	(305,495)
-	-	-	-	(121,413)
-	-	-	-	(300,864)
-	-	-	-	(188,959)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(175,981)</u>
<u>121,413</u>	<u>130,751</u>	<u>49,483</u>	<u>10,994</u>	<u>-</u>
-	-	-	-	742,245
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,256,206</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,998,451</u>

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

Terrebonne ARC

June 30, 2017

Agency Head Name: Mary Bisland

Purpose	Amount
Salary	\$ 133,572
Benefits - insurance	12,660
Benefits - retirement	5,537
Benefits - other	933
Car allowance	-
Vehicle provided by government	-
Per diem	-
Reimbursements	-
Travel	151
Membership fees	1,112
Registration fees	40
Conference travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Special meals	-
	<hr/>
	\$ 154,005

Note: Mary 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, 2017, which collectively compromise the Association's financial statements and have issued our report thereon dated December 14, 2017.

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 14, 2017.

SCHEDULE OF FINDINGS AND RESPONSES

Terrebonne ARC

For the year ended June 30, 2017

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, 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 II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended June 30, 2017.

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, 2017

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, 2016.
No significant deficiencies were reported during the audit for the year ended June 30, 2016.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended June 30, 2016.

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, 2016 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, 2016.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne ARC

For the year ended June 30, 2017

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, 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.

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, 2017. 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 14, 2017.

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

Terrebonne ARC

For the year ended June 30, 2017

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 procedures), 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 or amending the budget.

Management's response: Management will consider adding a provision for monitoring and amending 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, including receiving, recording, and preparing deposits
Performance: Obtained and read the written policy for receipts, 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, and (5) monitoring card usage
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
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.

**Procedures performed on the Association's written policies and procedures:
(Continued)**

- 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.

Procedures performed on the Association's board:

- 2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

Performance: Obtained and read the written minutes of board meetings, as well as advertising for board meetings in the local newspaper.

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

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

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

Performance: Inspected meeting minutes and the included budget-to-actual comparisons for the General Fund presented to the finance committee and board of directors.

Exceptions: The meeting minutes reference the finance committee report. The monthly financial statements, including budget-to-actual comparisons, are presented at the finance committee meeting held immediately before the board of directors meeting.

Management's response: Not applicable.

Procedures performed on the Association's board: (Continued)

- 1) If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Performance: Inspected the board's meeting minutes and budget-to-actual comparisons to note any deficit spending and/or deficit fund balances.

Exceptions: The Association's budget showed deficit spending during the year. There was never a fund balance deficit shown in any of the budget-to-actual comparisons, therefore, there was no written plan to eliminate the deficit spending.

Management's response: Not applicable.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

Performance: Inspected the board's meeting minutes for the fiscal year and noted non-budgetary financial information in the form of approvals of contracts, and disbursements.

Exceptions: There were no exceptions noted.

Management's response: Not applicable

Procedures performed on the Association's bank reconciliations:

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

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.

4. Using the listing provided by management, select all of the Association's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Performance: Selected all 4 bank accounts. Inspected management's documentation for accuracy of bank reconciliations.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's bank reconciliations: (Continued)

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

Performance: Inspected documentation for management approvals of each bank reconciliation.

Exceptions: It was noted that the Executive Director reviews and approves the bank statements prior to performance of the bank reconciliations. However, there was no evidence that the bank reconciliations were approved by a member of management or board member not involved in the transactions.

Management's response: Management will ensure that the bank reconciliations are approved by a member of management or board member not involved in the transactions.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Performance: Inspected documents for items outstanding for more than 6 months. In our observation, we noted 2 bank accounts with no more than 3 checks that were outstanding for longer than 6 months.

Exceptions: Management confirmed that a minimal amount of insignificant checks remain outstanding for more than 6 months.

Management's response: Management will continue to monitor the checks that remain outstanding. In the event that an insignificant, outstanding check is not cleared within one year, management will write it off.

Procedures performed on the Association's collections:

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

Performance: Observed the listing of cash/check/money order (cash) collection locations from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

6. Using the listing provided by management, select all of the Association's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations).

Procedures performed on the Association's collections: (Continued)

For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Performance: Inspected policy manuals, and inquired of client as to all of the requirements.

Exceptions: Persons involved with collecting cash in the Cedar Chest thrift stores and Grand Designs are responsible for depositing the cash in the bank. Also, all employees working together use the same cash register as the other employees.

Management's response: Management will consider appointing a designated employee without cash collection responsibilities to make the deposits at these locations. Also, management will make an effort to limit the use of the cash register to one employee at each location per day.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

Performance: Inspected policy manual, as well as inquiries of management to ensure separation of duties.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- 1) Using Association collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

Performance: Because the highest dollar week of cash collections will be the week that ad valorem taxes are received, our test population was based across all revenue accounts, and all months throughout the year. We selected a sample of 25 cash receipt transactions.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's collections: (Continued)

- 2) Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

Performance: Inspected the journal of cash receipts, internal deposit summaries and deposit slips from the bank. Noted that all collections are supported by adequate documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Association has a process specifically defined (identified as such by the Association) to determine completeness of all collections, including electronic transfers, for each revenue source and 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) by a person who is not responsible for collections.

Performance: Inspected policy and inquired of management as to separation of duties.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments):

8. Obtain a listing of Association disbursements from management or, alternately, obtain the general ledger and sort/filter for Association disbursements. Obtain management's representation that the listing or general ledger population is complete.

Performance: Obtained the completed general ledger for the fiscal period and obtained management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

Procedures performed on the Association's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

Performance: Selected 25 disbursements using a random number generator for check numbers. Inspected requisitions, purchase orders and related invoices.

Exceptions: Some monthly recurring transactions were not initiated through a purchase requisition and did not require a purchase order. However, it was noted that the Association's policies do not require a purchase requisition or purchase order for monthly recurring disbursements.

Management's response: Not applicable.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

Performance: Selected 25 disbursements check numbers. Inspected requisitions, purchase orders and related invoices.

Exceptions: There were no exceptions noted in the disbursements.

Management's response: Not applicable.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

Performance: Selected 25 disbursements check numbers. Inspected requisitions, purchase orders and related invoices. It was noted that all invoices are reviewed and approved by the purchasing clerk, then the accounts payable clerk, and also by the finance director or accounting manager by means of approval of the check register prior to release of payments. Employees receiving items will review the packaging slip for accuracy, and initial/sign the slip for approvals.

Exceptions: It was noted three invoices did not contain documentation of approvals on the invoices. However, the invoices were approved by means of approval of the check register prior to the payment being processed. It was noted that one invoice did not contain proper documentation of receipt/completion of the service provided.

Management's response: Management will ensure that invoices contain proper documentation of approval and receipt or completion of goods and services.

10. Using Association documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the Association's purchasing/disbursement system.

Performance: Inspected procedures and inquired of management as to separation of duties.

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

Management's response: Management will consider a better process for adding vendors to the system.

Procedures performed on the Association's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

11. Using Association documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Performance: Inspected policy as well as confirmed with documentation who is responsible for signing checks and making the final authorization. Disbursements can be requested by anyone within the Association but require approval. The finance director or accounting manager is responsible for final approvals. The Executive Director and at least one board member are also responsible for the approvals by means of signing checks.

Exceptions: No exceptions were noted.

Management's response: Not applicable.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review Association documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Performance: Inquired of management, as well as observed where the supply of unused checks is held.

Exceptions: The unused checks are kept locked in the accounts payable clerk's office.

The Executive Director, who has signatory authority, has access to the accounts payable clerk's office because the Executive Director maintains a master key for all offices in the building. Although the Executive Director has access to the accounts payable clerk's office and has signatory authority, it was noted that all checks must have two signatures.

Management's response: Not applicable.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Performance: Inquired of management as to whether there is a signature stamp or machine. Per management, there is no signature stamp or machine.

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:

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Performance: Obtained the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

15. Using the listing prepared by management, select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.)]

Performance: Obtained all monthly statements for all seven active cards and observed for supporting documentation, as well as approvals.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Performance: Traced all credit card payments and balances on the credit card statements in order to note if any fees were applied to balances.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the cards selected (i.e. each of the cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- 1) An original itemized receipt (i.e., identifies precisely what was purchased)

Performance: Traced each transaction to an original itemized receipt.

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: (Continued)

- 2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.

Performance: Observed documentation of the purpose of each transaction. Confirmed that all meal charge documentation included the names of the individuals participating.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Performance: Observed written approvals of credit card transactions. The accounts payable clerk reviews all transactions, and then traces each transaction to the backup that is provided by the person incurring charge.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Association's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Performance: Compared the transaction detail to the written disbursement policy and Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) For each transaction, compare the Association's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Performance: Inspected all detail transactions and compared them to the requirements of Article 7, Section 14 of the Louisiana Constitution.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's travel and expense reimbursements:

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

Performance: Obtained a list of all travel and related expense reimbursements.
Management's representation of the listing was confirmed in a separate letter.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

18. Obtain the Association's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

Performance: Obtained and read the travel and expense reimbursement policy.
Exceptions: The travel policy only contained rates relating to meal reimbursements. It was noted that the meal rates listed did not exceed the GSA rates.
Management's response: Management will consider adding dollar thresholds by category of expense that do not exceed the GSA rates.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the Association does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Performance: Selected the three employees who incurred the most travel costs during the period to further select the highest travel expenditure reimbursed. Compared expense documents to the applicable rates.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- b) Report whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

Procedures performed on the Association's travel and expense reimbursements: (Continued)

Performance: Traced expense to the original itemized receipt with detail of purchase.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- 2) Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).

Performance: Traced expense to the original itemized receipt. Documentation of the business/public purpose was documented by the attending employee. If any employee ate a meal, the persons attending was included with the meal receipt.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)

Performance: Inspected all documents provided for all travel reimbursements selected.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- c) Compare the Association's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Performance: Inspected the business/public purpose of all travel reimbursements selected and compared them to Article 7, Section 14 of the Louisiana Constitution.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Performance: Inspected documentation to find all approvals.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the Association's contracts:

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

Performance: Observed the listing of contracts in effect during the fiscal year from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the auditor). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

Performance: Obtained the listing of contract vendors and selected the five contract "vendors" that were paid the most money during the fiscal year. Inspected the written contracts that supports the service arrangements. It was noted that there were written contracts for all of the contracts except one due to the fact that the services were for one of the Association's residential homes. The company, a cable television provider, treated the Association as a residential customer rather than a business customer, therefore, there was no contract associated with this service.

Exceptions: Not applicable.

Management's response: Not applicable.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:

- 1) If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Association complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Performance: The contracts were not subject to the Louisiana Public Bid law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 2) If no, obtain supporting contract documentation and report whether the Association solicited quotes as a best practice.

Performance: Inspected contracts and inquired of client as to receipt of any other quotes.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's contracts: (Continued)

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

Performance: Inspected contracts and inquired of client as to any amendments to the contracts.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

Performance: Inspected the invoice and compared to the written contract information.

The invoice and related payment complied with the terms of the contract.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Performance: Inspected board meeting minutes and confirmed the board approved the contracts requiring board approval.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's payroll and personnel:

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

Performance: Obtained the listing of employees with their related salaries from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Performance: Compared compensation in the salary schedules with payments made to employees during the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's payroll and personnel: (Continued)

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Performance: Traced hourly rate changes during the period to personnel files, where they were approved in writing.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

Performance: For efficiency purposes, the sample of 25 employees that was performed for audit purposes was also used for the agreed-upon procedures. The sample was selected haphazardly using check numbers throughout the fiscal year rather than selecting one pay period in which leave was taken by at least one employee. Inspected all daily attendance and leave records for proper documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Performance: Confirmed that attendance and leave records were reviewed and approved by supervisors.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Report whether there is written documentation that the Association maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

Performance: Inquired and confirmed that the Association maintains written leave records for each employee eligible for paid leave.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's payroll and personnel: (Continued)

24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

Performance: Inquired and inspected list of employees that were terminated during the period. Management's representation of completeness confirmed in a separate letter. Obtained the personnel files for the two largest termination payments, and traced to the employees' final written leave records and daily attendance records. All termination payments were approved by the finance director and were made in strict accordance with the personnel policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Performance: Inspected payroll reporting forms to confirm that all payments were submitted to the applicable agencies by the required deadlines.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Association's ethics:

26. Using the five randomly selected employees/officials from procedure #22 under "Payroll and Personnel" above, obtain ethics compliance documentation from management and report whether the Association maintained documentation to demonstrate that required ethics training was completed.

Performance: Inquired of client as to which employees of the Association are required to complete the required ethics training. The Association only requires board members and managers to complete the ethics training, and it was noted that documentation was maintained for those employees.

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

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

Procedures performed on the Association's ethics: (Continued)

27. Inquire of management whether any alleged ethics violations were reported to the Association during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management's actions complied with the Association's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Performance: Inquired of management of any ethics violations, none were noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Other procedures performed on the Association:

28. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the Association reported the misappropriation to the Legislative Auditor and the District Attorney of the parish in which the Association is domiciled.

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

Exceptions: Not applicable.

Management's response: Not applicable.

29. Observe and report whether the Association has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns 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.

30. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Performance: Inspected all procedures, and the results of such procedures and compared them to management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.