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

Annual Financial Report
Year Ended December 31, 2025

Terrebonne Parish Recreation District No. 2/3

Annual Financial Report
Year Ended December 31, 2025

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities and the general fund of the Terrebonne Parish Recreation District No. 2/3 (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the District, as of December 31, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 8, the Budgetary Comparison Schedule on page 30, and the Schedule of Changes in Net OPEB Liability and Related Ratios on page 31 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 of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Terrebonne Parish Recreation District No. 2/3's basic financial statements. The Schedule of Compensation, Benefits, and Other Payments to District Director on page 32 is presented for purposes of additional analysis and is not a required part of the financial statements. Such is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Compensation, Benefits, and Other Payments to District Director is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Martin and Pellegrin

Houma, Louisiana
May 12, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Terrebonne Parish Recreation District No. 2/3 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended December 31, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements

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

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

FINANCIAL HIGHLIGHTS

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

- Terrebonne Parish Recreation District No. 2/3's assets exceeded its liabilities by $6,651,840 (net position) as of December 31, 2025.

- Revenues exceeded expenditures by $1,045,455 during the year.

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

BASIC FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of an entity's financial position. The District's net position was $6,651,840 as of December 31, 2025. The largest portion of the District's total assets, $5,014,174 or 44%, relates to capital assets.

The District's Net Position

	December 31, 2025	December 31, 2024
ASSETS		
Cash	$ 4,721,150	$ 5,089,491
Taxes receivable	1,427,951	1,427,118
Due from other governmental units	108,035	107,619
Other	2,185	2,185
Capital assets, net	5,014,764	4,594,385
Total assets	11,274,085	11,220,798
DEFERRED OUTFLOWS OF RESOURCES	153,643	156,663
LIABILITIES		
Payroll tax liabilities	5,063	3,396
Other post-employment benefits liability	89,192	88,630
Bonds payable		
Due with in one year	610,000	590,000
Due in more than one year	2,684,268	3,283,714
Total liabilities	3,388,523	3,965,740
DEFERRED INFLOWS OF RESOURCES		
Deferred ad valorem taxes revenue	1,289,473	1,659,318
Other post-employment benefits	97,892	146,018
Total deferred inflows of resources	1,387,365	1,805,336
NET POSITION		
Net investment in capital assets	1,720,496	720,671
Unrestricted	4,931,344	4,885,714
Total net position	$ 6,651,840	$ 5,606,385

The District's net position increased as a result of this year's operations. Unrestricted net position (the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements) increased by $45,630 during the year. The balance in net position represents the accumulated results of all past years' operations.

During the year, the District's net position increased by $1,045,455. The elements of the increase are as follows:

The District's Change in Net Position

	For the Year Ended December 31, 2025	For the Year Ended December 31, 2024
REVENUES		
Ad valorem taxes	$ 2,144,582	$ 1,639,151
Intergovernmental:		
State of Louisiana revenue sharing	29,385	18,016
Grant	122,767	642,214
Other	65,886	29,622
Total revenues	2,362,620	2,329,003
EXPENDITURES		
Depreciation	266,970	274,494
General operating	606,320	546,664
Personnel services	284,287	266,840
Interest expense	159,588	137,243
Total expenditures	1,317,165	1,225,241
CHANGE IN NET POSITION	$ 1,045,455	$ 1,103,762

The decrease in the change in net position from 2024 to 2025 is mainly attributed to the decrease in grant revenue.

FINANCIAL ANALYSIS OF INDIVIDUAL FUNDS (FFS)

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

The General Fund includes revenue and expenditures necessary to the operation of the District's office such as personnel, benefits, and operation and maintenance of facilities and vehicles. The General Fund reflected $2,318,076 in total revenues, including $2,144,582 in property taxes. Total current expenditures were $2,316,990 including capital outlay of $687,349. After a $1,086 excess of revenues over expenses for the year, the ending fund balance was $4,964,785, all in the unassigned category.

CAPITAL ASSETS

As of December 31, 2025, the District had $5,014,764 invested in capital assets.

	2025	2024
Capital assets	$ 8,356,979	$ 7,384,075
Less accumulated depreciation	(3,342,215)	(3,075,245)
	$ 5,014,764	$ 4,308,830

Depreciation expense for the year is $266,970. The District spent $687,349 in capital asset additions during the year.

LIMITED TAX REVENUE BONDS

In May 2023, the District issued limited tax revenue bonds of $4,500,000. Interest paid in the governmental funds was $149,034 for 2025. More detailed information about the bonds is presented in the Notes to Financial Statements.

BUDGETARY HIGHLIGHTS

The District amended its budget once during the fiscal year. The budget for revenues was $1,513,182, and the budget for expenditures was $2,461,634.

The District's actual revenues were greater than the budgeted revenues by $804,894, a favorable variance of 53.19%. The District's actual expenditures were more than the budgeted expenditures by $13,300, an unfavorable variance of 1.62%.

REQUEST FOR INFORMATION

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

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

FINANCIAL STATEMENTS

Terrebonne Parish Recreation District No. 2/3
Statement of Net Position
December 31, 2025

Assets		
Cash	$	4,721,150
Taxes receivable		1,427,951
Due from other governmental units		108,035
Other		2,185
Total Current Assets		6,259,321
Capital assets		
Non-depreciable		2,253,309
Depreciable, net of accumulated depreciation		2,761,455
Net Capital Assets		5,014,764
Total Assets		11,274,085
Deferred Outflows of Resources		153,643
Liabilities		
Payroll tax liabilities		5,063
Other post-employment benefits liability		89,192
Bonds payable		
Due within one year		610,000
Due in more than one year		2,684,268
Total Liabilities		3,388,523
Deferred Inflows of Resources		
Deferred ad valorem taxes revenue		1,289,473
Other post-employment benefits		97,892
Total Deferred Inflows of Resources		1,387,365
Net Position		
Net investment in capital assets		1,720,496
Unrestricted		4,931,344
Total Net Position	$	6,651,840

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Statement of Activities
Year Ended December 31, 2025

	Expenses	Program Revenues Federal Grant	Net Revenue (Expense) and Change in Net Position Governmental Activities
GOVERNMENTAL ACTIVITIES			
Culture and recreation	$ 1,258,458	$ 122,767	$ (1,135,691)
General government	58,707	-	(58,707)
Total governmental activities	$ 1,317,165	$ 122,767	(1,194,398)
GENERAL REVENUES			
Ad valorem taxes			2,144,582
State revenue sharing			29,385
Other			55,584
Interest income			10,302
Total general revenues			2,239,853
INCREASE IN NET POSITION			1,045,455
NET POSITION, BEGINNING (AS RESTATED - SEE NOTE 5)			5,606,385
NET POSITION, ENDING			$ 6,651,840

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Balance Sheet
Governmental Fund Type – General Fund
December 31, 2025

Assets	
Cash	$ 4,721,150
Taxes receivable	1,427,951
Due from other governmental units	108,035
Other	2,185
Total Assets	$ 6,259,321
Liabilities	
Payroll tax liabilities	$ 5,063
Deferred Inflows of Resources	
Deferred ad valorem taxes revenue	1,289,473
Fund Balance	
Unassigned	4,964,785
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$ 6,259,321

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Statement of Revenues, Expenditures, and
Changes in Fund Balance –
Governmental Fund Type – General Fund
Year Ended December 31, 2025

Revenues	
Ad valorem taxes	$ 2,144,582
Grants/FEMA	122,767
Intergovernmental:	
State of Louisiana revenue sharing	29,385
Interest income	11,040
Other	10,302
Total Revenues	2,318,076
Expenditures	
Current:	
General government:	
Ad valorem tax deductions	58,707
Culture and recreation:	
Repairs and maintenance	284,287
Personnel services and benefits	253,438
Professional fees	179,526
Other services and charges	83,585
Supplies and materials	31,064
Total culture and recreation	831,900
Capital outlay	687,349
Debt service	
Principal	590,000
Interest	149,034
Total debt service	739,034
Total Expenditures	2,316,990
Change in Fund Balance	1,086
Fund Balance	
Beginning of year	4,963,699
End of year	$ 4,964,785

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Reconciliation of the Balance Sheet of the Governmental Fund
to the Statement of Net Position
December 31, 2025

Fund balance - governmental fund	$ 4,964,785
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets of $8,356,979 net of accumulated depreciation of $3,342,215, are not financial resources and, therefore, are not reported in the governmental fund.	5,014,764
Deferred outflows of resources related to OPEB liabilities are not available resources and, therefore, are not reported in the fund	153,643
Deferred inflows of resources related to OPEB liabilities are not payable from current expendable resources and, therefore, are not reported in the fund	(97,892)
Other post-employment benefit liabilities are not due and payable in the current period and, therefore, are not reported in the fund	(89,192)
Bonds payable are not due and payable in the current period and, therefore, are not reported in the funds.	(3,294,268)
Net position of governmental activities	$ 6,651,840

See accompanying notes.

Terrebonne Parish Recreation District No. 2/3
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balance – Governmental Fund to the
Statement of Activities
Year Ended December 31, 2025

Change in fund balance - governmental fund		$ 1,086
Amounts reported for governmental activities in the Statement of Activities are different because:		
Govermental fund reports capital outlays as expenditures whereas in the statement of activities these costs are depreciated over their useful lives.		
Depreciation expense	(266,970)	
Capital outlay	687,349	420,379
Effects of recording net OPEB liability and deferred inflows and outflows of resources related to OPEB liabilities.		44,544
The repayment of long-term debt utilizes current financial resources of governmental funds, but has no effect on net position.		
Debt service	590,000	
Amortization of bond issuance costs	(10,554)	579,446
Change in net position		$ 1,045,455

See accompanying notes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. REPORTING ENTITY

The District is a component unit of Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2025. The District has reviewed all of its activities and determined that there are no potential component units that should be included in its financial statements.

B. BASIS OF PRESENTATION

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

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

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

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

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

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

When an expense is incurred for purposes for which both restricted and unrestricted net position is available, the District considers restricted funds to have been spent first.

GASB statements establish fund balance classifications that comprise hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. These classifications are defined as follows:

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

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

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

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

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

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

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

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Commissioners have provided otherwise in its commitment or assignment actions.

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

Government-wide Financial Statements:

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

Fund Financial Statements:

The daily accounts and operations of the District are organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues, and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following is the Governmental Fund of the District:

General Fund – The General Fund is the general operating fund of the District. It is used to account for all financial resources except those that are required to be accounted for in another fund.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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.

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

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

Fund Financial Statements:

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

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Ad valorem taxes and the related state revenue sharing (intergovernmental revenue) are recognized as revenue in the period for which levied, thus the 2025 property taxes which are being levied to finance the 2026 budget will be recognized as revenue in 2026. The 2025 tax levy is recorded as deferred inflows of resources in the District's 2025 financial statements.

Charges for services are recorded when earned since they are measurable and available. Miscellaneous revenues are recorded as revenues when received in cash by the District because they are generally not measurable until actually received.

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

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

D. CASH AND CASH EQUIVALENTS

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

E. ACCOUNTS RECEIVABLE

The financial statements for the District contain no allowance for uncollectible accounts. Uncollectible amounts due for ad valorem taxes and other receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial positions or operations of the funds.

F. CAPITAL ASSETS

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

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of $1,000 or more are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their acquisition value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position.

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

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

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

Fund Financial Statements:

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

G. OPERATING BUDGETARY DATA

As required by the Louisiana Revised Statutes 39:1303, the Board of Commissioners (the Board) adopted a budget for the District's General Fund. Any amendment involving the transfer of monies from one function to another or increases in expenditures must be approved by the Board. The District amended its budget once during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year-end.

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

H. VACATION AND SICK LEAVE

Accumulated vacation and sick leave are recorded as expenditures of the period in which paid. Employees earn between 96 to 136 hours of vacation leave, depending on the length of employment. Accumulated vacation leave is due to the employee at the time of termination or death. The vacation policy provides that employees are to take vacation within one year of being earned, with no carry forward provisions. Employees earn 56 hours sick leave per year. Unused sick leave cannot be carried forward to future years. Leave earned, but not taken, is computed based on current pay rates and historical leave data. There is no material unpaid vacation and sick leave at year-end.

I. USE OF ESTIMATES

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

J. RECENT PRONOUNCEMENTS

The following is a summary of accounting standards adopted by the Governmental Accounting Standards Board (GASB) that have been or are scheduled to be implemented in the future that may affect the District's financial report:

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This standard is effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Commission has implemented the standard, resulting in no material impact on its financial statements.

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

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This standard is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The effect of implementation on the Commission's financial statements has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This standard is effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The effect of implementation on the Commission's financial statements has not yet been determined.

GASB Statement No. 105, *Subsequent Events*. The objective of this Statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. This standard is effective for fiscal years beginning after June 15, 2026, and all reporting periods thereafter. The effect of implementation on the Commission's financial statements has not yet been determined.

NOTE 2 – DEPOSITS

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

State law requires deposits (cash and certificates of deposit) of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision. The year end balances of deposits are as follows:

	Bank Balance	Reported Amount
Cash and cash equivalents	$ 4,718,092	$ 4,721,150

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District has a written policy for custodial credit risk. As of December 31, 2025, $3,741,849 of the District's bank balance was exposed to credit risk.

NOTE 2 – DEPOSITS (Cont.)

These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name.

Cash was adequately collateralized in accordance with state law by securities held by an unaffiliated bank for the accounts of the District. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the pledged securities are considered subject to custodial credit risk under the provisions of GASB Statement 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units as of December 31, 2025 consists of the following:

Terrebonne Parish Tax Collector - December 2025/	
Collections remitted to the District in January 2026	
Ad valorem taxes	$ 98,240
State of Louisiana - State revenue sharing	9,795
	$ 108,035

NOTE 4 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	January 1, 2025	Additions	Deletions/ Reclassifications	December 31, 2025
Capital assets, not being depreciated:				
Land	$ 285,555	$ -	$ -	$ 285,555
Construction in progress	1,578,030	389,724	-	1,967,754
Total assets not being depreciated	1,863,585	389,724	-	2,253,309
Capital assets, being depreciated:				
Facilities and improvements	5,024,883	297,625	-	5,322,508
Equipment and furniture	748,316	-	-	748,316
Automobiles	32,846	-	-	32,846
Total assets being depreciated	5,806,045	297,625	-	6,103,670
Less: Accumulated depreciation				
Facilities and improvements	2,435,439	236,403	-	2,671,842
Equipment and furniture	606,960	30,567	-	637,527
Automobiles	32,846	-	-	32,846
Total accumulated depreciation	3,075,245	266,970	-	3,342,215
	2,730,800	30,655	-	2,761,455
Total capital assets, net	$ 4,594,385	$ 420,379	$ -	$ 5,014,764

Capital asset additions during the year ended December 31, 2025 primarily relate to the Southland Park Improvement, Broadmoor, Cottage Drive, and Rozand Park projects.

NOTE 5 – RESTATEMENT OF NET POSITION

During the year, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As part of this implementation, the District restated its net position on the government-wide financial statements to reflect prior-period OPEB activity, as application of this standard requires retrospective treatment. This resulted in a $77,985 decrease in net position as shown in the table below.

	Governmental Activities
Net Position, December 31, 2024, as previously reported	$ 5,684,370
Restatement related to recording other post-employment benefits	(77,985)
Net Position, December 31, 2024, as restated	$ 5,606,385

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS

The District administers a single employer defined benefit healthcare plan (the "Plan"). The Plan provides for the payment of medical, dental and life insurance premiums for eligible employees, retirees and their dependents as approved by the Board of Commissioners. Louisiana Revised Statute 33:5161 grants the authority to establish and amend the benefit terms and financing requirements to the Board of Commissioners. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. Eligible retirees can continue their health coverage by an election at retirement. Retirees are not eligible to rejoin at any other time. For employees retiring before January 1, 2005 the District funds the entire premium for all benefits on employees retiring with at least ten years of service upon retiring from the formal retirement systems. District employees retiring on or after January 1, 2005 and before January 1, 2014, with at least ten years of permanent full-time creditable service with the District shall be eligible to participate in the Plan approved by the Board of Commissioners under the following vesting schedule: 11 to 15 years of service, 27.50% plus 2.75% per year; 16 to 20 years of service, 45.00% plus 3.75% per year; 21 years or more of service, 64.00% plus 4.00% per year of service, limited to 80% of the premium. Employees hired after December 31, 2013 with at least 30 years of permanent full-time creditable service, age 55 and 5 years of participation in the District 's group health insurance plan immediately prior to retirement shall be eligible to participate in the Plan with benefits limited to 80% of premiums. A retired employee may provide dependent hospitalization coverage at applicable dependent rates. To be eligible for coverage after retirement, retired employees must be eligible for retirement under the Parochial Employees' Retirement System. The District currently has four active employees and no retirees in the Plan. The District does not issue a publicly available financial report on the Plan.

The District's total OPEB liability of $89,182 was measured as of December 31, 2025 and was determined by an actuarial valuation as of January 1, 2024.

Funding Policy

The District fully funds required premiums based on pay-as-you-go financing requirements. For the fiscal year 2025 the District did not pay any premiums as there were no retirees.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (Cont.)

Total OPEB Liability

Actuarial Assumptions and Other Inputs

The total OPEB liability as of December 31, 2025 was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless, otherwise specified:

Measurement Date	December 31, 2025
Actuarial Valuation Date	January 1, 2024
Inflation	2.50%
Salary Increases, Including Inflation	3.00%
Discount Rate	4.43%
Prior Year Discount Rate	4.28%
Healthcare Cost Trend Rates	Medical – 6.00% in year one decreasing in decrements of 0.25% per year until 4.50% through year seven. Dental – 3.50% in year one decreasing in decrements of 0.25% per year until 2.50% through year five and beyond.

The discount rate was based on the December 31, 2025 S&P Municipal Bond 20-Year High-Grade Index Yield.

Mortality rates for active employees were based on the PubG.H-2010 (general) and PubS.H-2010 (public safety) Employee Mortality Tables, Generational with Projection Scale MP-2021 for males or females, as appropriate.

Mortality rates for retirees were based on the PubG.H-2010 (general) and PubS.H-2010 (public safety) Healthy Annuitant Mortality Tables, Generational with Projection Scale MP-2021 for males or females, as appropriate.

Annual OPEB Expense

The District's annual other post-employment benefit (OPEB) expense is calculated based on an amount actuarially-determined in accordance with the parameters of GASB Statement 75. The total OPEB benefit for the year ending December 31, 2025 is $40,501.

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

The following table shows the components of the Disrict's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Service cost	$ 1,200
Interest	3,788
Changes in assumptions/inputs	(1,343)
Difference between expected and actual experience	271
Changes in proportion	688
Benefit payments and net transfers	(4,052)
Net change in total OPEB liability	552
Total OPEB liability - beginning of year	88,630
Total OPEB liability - end of year	$ 89,182

Sensitivity of the total OPEB Liability to Changes in Discount Rate

The following presents the OPEB liability calculated using the discount rate of 4.43%, as well as what the employer's OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.43%) or one percentage point higher (5.43%) than the current rate as of December 31, 2025.

	Changes in Discount Rate:		
	1% Decrease 3.43%	Current Discount Rate 4.43%	1% Increase 5.43%
Net OPEB Liability	$ 103,591	$ 89,192	$ 77,644

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare trend rates that are 1% lower or 1% higher than the current healthcare trend rates.

1.00% Decrease	Current Healthcare Cost Trend Rates	1.00% Increase
$ 75,818	$ 89,182	$ 106,374

NOTE 6 – OTHER POST-EMPLOYMENT BENEFITS (cont.)

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

As of December 31, 2025, the Bureau reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and experience	$ 5,709	$ -
Changes in assumptions	2,187	9,040
Changes in proportion	145,747	88,852
Total Deferred Outflows and Inflows	$ 153,643	$ 97,892

The net amounts of deferred outflows/inflows of resources attributable to fiscal year ended December 31, 2025 will be recognized in OPEB expense in future years as follows:

Year	
2026	$ (66,163)
2027	(9,585)
2028	(10,511)
2029	142,010
Total	$ 55,751

NOTE 7 – PROPERTY TAXES

Property taxes are levied each November 1 on the assessed value listed as of the prior January 1 for all real property, merchandise, and movable property located in the Parish. Assessed values are established by the Terrebonne Parish Assessor's Office and the State Tax Commission at percentages of actual value as specified by Louisiana law. A reevaluation of all property is required to be completed no less than every four years. A reevaluation was completed for the list as of January 1, 2024. Taxes are due and payable December 31 with interest being charged on payments after January 1. Taxes can be paid through the tax sale date, which is the last Wednesday in June. Properties for which the taxes have not been paid are sold for the amount of the taxes. The tax rate for the year ended December 31, 2025 was $5.00 per $1,000 of assessed valuation on property within Recreation District No. 2/3 for the purpose of constructing, maintaining, and operating recreational facilities within the District. Taxes levied November 1, 2025 are for budgeted expenditures in 2026 and will be recognized as revenues in 2026.

NOTE 8 – BONDS PAYABLE

After appropriate approval by the Louisiana State Bonding Commission on May 3, 2023, the District issued $4,500,000 of limited tax revenue bonds, Series 2023, for the purpose of providing funding for acquisition, construction and/or making capital improvements to or of the District's public facilities and assets. The agreement includes an interest rate of 4.1% and a maturity date of April 1, 2030. Principal payments are due on April 1 and interest payments are due on April 1 and October 1 of each year. The outstanding balance of bonds payable as of December 31, 2024 is $3,294,268. Maturities of long-term debt are as follows:

Year Ending December 31,	
2026	$ 610,000
2027	640,000
2028	670,000
2029	700,000
2030	720,000
	3,340,000
Less bond issuance costs	(45,732)
	$ 3,294,268

NOTE 9 – COMPENSATION OF BOARD MEMBERS

Board members serve without compensation.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to workers' compensation; torts; theft of, damage to and destruction of assets; errors and omission; and natural disasters and group health benefits for which the District carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation, group insurance, property insurance, and automobile liability. No settlements were made during the year that exceeded the District's insurance coverage. The District pays monthly premiums to the Parish for workers' compensation based on a fixed percentage of payroll. The District's premiums for general liability are based on various factors such as its operations and maintenance budget, exposure, and claims experience. The premium for group health insurance is based on a fixed rate per employee. The premium for automobile liability is based on claims experience, vehicle type, and mileage. The premiums for property are based on the District's property value to the total of all the property value covered. The Parish handles all claims filed against the District. The District could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

NOTE 10 – RISK MANAGEMENT (Cont.)

Policy	Coverage Limits
General liability	$ 10,000,000
Workers' compensation	$ 25,000,000
Employer's liability	$ 6,000,000
Auto liability	$ 10,000,000

Coverage for general liability, workers' compensation, and auto claims in excess of the stated limits above are to be funded first by assets of the Parish's risk management internal service fund, then secondly by the District. The Parish is self-insured for the first $175,000 of each claim relating to group health. Insurance contracts cover excess liability. As of December 31, 2025, the District had no claims in excess of the above coverage limits.

NOTE 11 – HURRICANE IDA

On August 29, 2021 Hurricane Ida made landfall near Port Fourchon, Louisiana as a Category 4 storm, with winds travelling in excess of 150 miles per hour. The natural disaster caused significant wind-related and water-related damage to homes and businesses throughout Terrebonne Parish, to which property owned and operated by the District was no exception.

During the year ended December 31, 2025, $122,767 of Federal Emergency Management Agency (FEMA) recovery assistance funds related to prior year repairs were received.

NOTE 12 – SUBSEQUENT EVENTS

Subsequent events were evaluated through May 12, 2026, which is the date the financial statements were available to be issued and it was determined that no events occurred that requires disclosure. No events after that date have been evaluated for inclusion in the financial statements.

<u>REQUIRED SUPPLEMENTARY INFORMATION</u>

Terrebonne Parish Recreation District No. 2/3
Budgetary Comparison Schedule - General Fund
Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	**Final**	**Amounts**	**Over/ (Under)**
Revenues				
Taxes	$ 1,472,940	$ 1,472,940	$ 2,144,582	$ 671,642
Intergovernmental:				
State of Louisiana revenue sharing	20,242	20,242	29,385	9,143
Grants	-	-	122,767	122,767
Other income	10,000	10,000	10,302	302
Interest income	10,000	10,000	11,040	1,040
Total Revenues	1,513,182	1,513,182	2,318,076	804,894
Expenditures				
Current:				
General government:				
Ad valorem tax deductions	-	-	58,707	(58,707)
Culture and recreation:				
Personnel services	271,500	276,000	253,438	22,562
Supplies and materials	23,000	23,000	31,064	(8,064)
Professional fees	286,100	236,100	179,526	56,574
Other services and charges	225,500	217,000	83,585	133,415
Repairs and maintenance	102,500	66,500	284,287	(217,787)
Total culture and recreation	908,600	818,600	831,900	(13,300)
Capital outlay	-	904,000	687,349	216,651
Debt service	739,034	739,034	739,034	-
Total Expenditures	1,647,634	2,461,634	2,316,990	144,644
Revenues Over Expenditures	$ (134,452)	$ (948,452)	$ 1,086	$ 949,538

See Independent Auditor's Report.

Terrebonne Parish Recreation District No. 2/3

Schedule of Changes in Net OPEB Liability and Related Ratios

Year Ended December 31, 2025

	2025	2024	2023	2022	2021	2020
Service cost	$ 1,200	$ 1,256	$ 1,905	$ 3,891	$ 2,860	$ 3,429
Interest cost	3,788	2,944	5,040	3,084	2,476	3,952
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	271	6,071	886	12,344	(404)	(17,308)
Changes in assumptions/inputs	(1,343)	3,616	(1,165)	(59,234)	1,401	(12,450)
Changes in proportion	688	(47,471)	3,522	(55,170)	30,729	212,715
Benefit payments and net transfers	(4,052)	(4,244)	(5,688)	(4,409)	(3,262)	(2,686)
Net change in total OPEB liability	552	(37,828)	4,500	(99,494)	33,800	187,652
Total OPEB liability - beginning of year	88,630	126,458	121,958	221,452	187,652	-
Total OPEB liability - end of year	$ 89,182	$ 88,630	$ 126,458	$ 121,958	$ 221,452	$ 187,652
Covered-employee payroll	$ 253,438	$ 266,840	$ 211,573	$ 213,163	$ 260,481	$ 362,933
Net OPEB liability as a percentage of covered-employee payroll	35.19%	33.21%	59.77%	57.21%	85.02%	51.70%
Discount rate	4.43%	4.28%	3.77%	4.05%	1.84%	2.00%

Notes to Schedule:

Changes of Benefit Terms: Not applicable.

Changes of Assumptions:

Discount rates

2020-2023	Fidelity Municipal general Obligation AA (20 year) Index
2024-2025	S&P Municipal Bond 20 Year High Grade Index Yield

Mortality Rates

2020	PubG.H-2010 (general) PubS.H-2010 (public safety) Employee and Healthy Annuity, Generational with MP-2020
2021-2025	PubG.H-2010 (general) PubS.H-2010 (public safety) Employee and Healthy Annuity, Generational with MP-2021

This schedule is intended to present information for ten years. Additional years will be displayed as they become available.

See Independent Auditor's Report.

SUPPLEMETARY INFORMATION

Terrebonne Parish Recreation District No. 2/3
Schedule of Compensation, Benefits, and Other Payments
to District Head
Year Ended December 31, 2025

Agency Head Name: Brock Landry, Executive Director

Purpose	**Amount**
Salary	$ 67,181
Benefits - insurance	2,222
Benefits - retirement	-
Dues	-
Special meals	-
Vehicle provided by government	-
Registration fees	-
Conference travel	-
Other - engineering license renewal	-
Reimbursements	-
Car allowance/automobile expense	-
Membership fees	-
Deferred compensation	-
Per diem	-
Service fees	-
Travel	-
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-

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

See Independent Auditor's Report.

<u>REPORT REQUIRED BY *GOVERNMENT AUDITING STANDARDS*</u>

Martin
and
Pellegrin

Certified public Accountants
(A Professional Corporation)

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Terrebonne Parish Recreation District No. 2/3 (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated May 12, 2026.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might by 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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.

Martin and Pellegrin

Houma, Louisiana
May 12, 2026

Terrebonne Parish Recreation District No. 2/3
Schedule of Findings and Responses
Year Ended December 31, 2025

Section I – Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Terrebonne Parish Recreation District No. 2/3.

2. No significant internal control deficiencies were noted during the audit of the financial statements.

3. No instances of noncompliance or other matters required to be reported in accordance with *Government Auditing Standards*, were noted during the audit of the financial statements.

4. No instances of noncompliance under the provisions of the Louisiana Governmental Audit Guide were noted during the audit of the financial statements.

5. A management letter was not issued.

6. The District received $122,767 in federal funds during the year under ALN 97.036.

Section II – Financial Statement Findings

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

Section III – Findings and Questioned Costs – Major Federal Awards

This section is not applicable.

Terrebonne Parish Recreation District No. 2/3
Schedule of Prior Findings and Responses
Year Ended December 31, 2025

Note: The prior finding relates to the December 31, 2024 audit engagement.

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

This section is not applicable.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

STATEWIDE AGREED-UPON PROCEDURES

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and
Pellegrin

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2025 through December 31, 2025. Terrebonne Parish Recreation District No. 2/3's management is responsible for those C/C areas identified in the SAUPs.

Terrebonne Parish Recreation District No. 2/3 has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period January 1, 2025 through December 31, 2025. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described on pages 39-56.

We were engaged by Terrebonne Parish Recreation District No. 2/3 to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those 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.

We are required to be independent of Terrebonne Parish Recreation District No. 2/3 and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely 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 24:513, this report is distributed by the LLA as a public document.

Martin and Pellegrin

Houma, Louisiana
May 12, 2026

Terrebonne Parish Recreation District No. 2/3
Schedule of Procedures and Associated Findings of the
Statewide Agreed-Upon Procedures
Year Ended December 31, 2025

The required procedures and our findings are as follows:

Procedures performed on the District's written policies and procedures:

Written Policies and Procedures

1. Obtain and inspect the District's written policies and procedures and observe whether they address each of the following categories and subcategories, as applicable:

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

      Performance: Obtained and read the written policy for budgeting and found it to contain the requirements included above.
      Exceptions: There were no exceptions noted.
      Management's response: Not applicable.

   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 to contain all requirements above.
      Exceptions: There were no exceptions noted.
      Management's response: Not applicable.

   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.

   d. Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions.

      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, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.

   Performance: Obtained and read the written policy for payroll and personnel and found it to contain the requirements listed above.
   Exceptions: There were no exceptions noted.
   Management's response: Not applicable.

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 the written policy related to contracting and found it to contain the requirements listed above.
   Exceptions: There were no exceptions noted.
   Management's response: Not applicable.

g. Credit Cards, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage.

   Performance: Obtained and read the written policy related to credit cards and found it to contain the requirements listed above.
   Exceptions: There were no exceptions noted.
   Management's response: Not applicable.

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.
   Exceptions: The policy did not include dollar thresholds for all categories.
   Management's response: Management will consider including dollar thresholds for all travel categories.

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) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

   Performance: Obtained and read the written policy related to ethics and found it to contain the requirements listed above.

Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Obtained and read written policy for debt service and found it to contain the requirements listed above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

k. Information Technology Disaster Recovery/Business Continuity, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Performance: Determined that the District does not have a written policy for information technology disaster recovery/business continuity.
Exceptions: While the District has such policies in place, these policies are not written.
Management's response: Management will consider adopting a written policy for information technology disaster recovery/business continuity.

l. Prevention of Sexual Harassment, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

Performance: Reviewed a copy of the District's sexual harassment policy.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

<u>Board or Finance Committee</u>

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

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

Performance: Determined that the 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 except for the below.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

b) Observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund.

Performance: Determined whether the minutes referenced or included monthly budget-to-actual comparisons.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Determined that the unassigned fund balance in the general fund did not have a negative balance.

d) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according the management's corrective action plan at each meeting until the findings are considered fully resolved.

Performance: Determined that the District has no outstanding audit findings.

Bank Reconciliations

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

Performance: Obtained the listing of bank accounts from management and received management's representation in a separate letter.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date;

Performance: Determined that randomly selected bank statements were reconciled within two months of the related statement closing date.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within one month of the date the reconciliation was prepared;

Performance: Inspected documentation for management approvals of each randomly selected bank reconciliation.
Exceptions: There was no evidence of management's timely review of the bank reconciliations.
Management's response: The Executive Director will timely review the bank reconciliation each month and give evidence that he has done so.

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

Performance: Determined that reconciling items outstanding for more than twelve months at the end of the statement closing date had been researched.
Exceptions: There is no evidence that seven items outstanding over twelve months had been researched.
Management's response: All outstanding items more that twelve months old will be researched and documented as to proper disposition.

Collections

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

Performance: Observed the listing of deposit sites from management and received management's representation in a separate letter.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site, obtain and inspect written policies and procedures relating to employee job duties at each collection location, and observe that job duties are properly segregated at each collection location such that:

Performance: Observed the listing of collection locations from management and received management's representation in a separate letter.
Exceptions: There were no exceptions noted.
Management's response: Not applicable

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

Performance: Determined that no cash drawers/registers are shared by employees.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation to the deposit.

Performance: Inspected policy manual and inquired of client to ensure separation of duties for those employees collecting cash and those employees preparing/making bank deposits.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Inspected policy manual and inquired of client to ensure separation of duties for those employees collecting cash and those employees posting collection entries to the general ledger or subsidiary ledgers.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Inspected policy manual and inquired of client to ensure separation of duties for those employees collecting cash and those employees reconciling cash collections to the general ledger and/or subsidiary ledgers.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

6. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe whether the bond or insurance policy for theft was in force during the fiscal period

    Performance: Determined whether employees who have access to cash are covered by a bond or insurance policy for theft.
    Exceptions: There were no exceptions noted.
    Management's response: Not applicable.

7. Randomly select two deposit dates for each of the bank accounts selected for procedure #3 under "Bank Reconciliations" above. Obtain supporting documentation for each of the deposits and:

    a) Observe that receipts are sequentially pre-numbered.

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

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

    d) Observe whether the deposit was made within one business day of receipt at the collection location.

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

    Performance: Performed procedures 7a through 7e above.
    Exceptions: There were no exceptions noted.
    Management's response: Not applicable.

<u>Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)</u>

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

    Performance: Obtained a listing of locations that processed payments for the fiscal period from management and received management's representation in a separate letter. Determined that only one location processed payments.
    Exceptions: There were no exceptions noted.
    Management's response: Not applicable.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties, and observe that job duties are properly segregated such that:

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

Performance: Obtained a listing of those employees involved with non-payroll purchasing and payment functions along with written policies and procedures for those functions to determine if there was a proper segregation of duties for initiating, approving, and making purchases.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Obtained a listing of those employees involved with non-payroll purchasing and payment functions along with written policies and procedures for those functions to determine if there was a proper segregation of duties for processing and approving payments to vendors.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Inspected policy manual and inquired of management as to separation of duties related to vendor files.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Inquired of management to determine if the employee responsible for processing payments mails those respective payments.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

Performance: Inquired of management to determine whether release of electronic disbursements are appropriately authorized.

Exceptions: No exceptions were noted.
Management's response: Not applicable.

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

    Performance: Obtained the completed general ledger for the fiscal period and obtained management's representations in a separate letter. Randomly selected five disbursements using a random number generator for check numbers to test the requirements below.
    Exceptions: There were no exceptions noted.
    Management's response: Not applicable.

    a) Observe that the disbursement matched the related original itemized invoice and that supporting documentation indicates that deliverables included on the invoice were received by the entity.

       Performance: Determined that the five random disbursements matched their respective original invoices and that the invoices indicate that deliverables were received by the entity.
       Exceptions: There were no exceptions noted.
       Management's response: Not applicable.

    b) Observe that the disbursement documentation included evidence of segregation of duties tested under #9, as applicable.

       Performance: Determined whether the documentation for the five random disbursements gave evidence of the segregation of duties tested under #9 above.
       Exceptions: There were no exceptions noted.
       Management's response: Not applicable.

11. Using the entity's main operating accounts and the month selected in Bank Reconciliations procedure #3, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy.

    Performance: Determined whether the documentation for the five random electronic disbursements gave evidence of the disbursements being appropriately approved.

Exceptions: There were no exceptions noted.
Management's Response: Not applicable.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

12. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, 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 a listing of all active credit cards (including the card numbers and the person in possession of the card) and management's representation that the listing is complete.
    Exceptions: There were no exceptions noted.
    Management's Response: Not applicable.

13. Using the listing prepared by management, randomly select five cards (or all cards if less than five) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card, obtain supporting documentation, and:

    a) Observe that 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.

    b) Observe that finance charges and late fees were not assessed on the selected statements.

    Performance: Selected all credit cards for testing; randomly selected one month for each credit card and determined that supporting documentation was properly reviewed and approved in writing by someone other than the authorized user and that no finance charges or late fees were assessed.
    Exceptions: There were no exceptions noted.
    Management's Response: Not applicable.

14. Using the monthly statements or combined statements selected under #13 above, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions. For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals.

    Performance: For the statements selected for testing in #13, randomly selected ten transactions from each and determined that the charges were supported by

an original, detailed, itemized receipt which included written documentation of business purpose and individuals participating in the meals, if applicable.
Exceptions: There were no exceptions noted.
Management's Response: Not applicable.

15. Using the list of terminated employees obtained in Payroll and Personnel procedure 20 identify those individuals who had access to cards and randomly select 5 terminated employees (or all terminated employees with card access if less than 5) from this population. Observe evidence that the cards have been deactivated for these terminated employees. In cases where a card is shared by multiple users, obtain evidence that the terminated employees' authorization has been removed.

Performance: Determined that card access was deactivated for any terminated employee with such access.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Travel and Travel-Related Expense Reimbursements (excluding card transactions)

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

Performance: Requested a listing of travel and related expense reimbursements for the year. Management indicated there was none and confirmed this is a separate letter. We reviewed the general ledger for the year and determined that this representation was accurate.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

a) If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

Performance: As there were no travel reimbursements during the year, this procedure is not applicable.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
Performance: As there were no travel reimbursements during the year, this procedure is not applicable.

Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: As there were no travel reimbursements during the year, this procedure is not applicable.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: As there were no travel reimbursements during the year, this procedure is not applicable.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Contracts

17. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:

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.

a) Observe whether the contract was bid in accordance with the Louisiana Public Bid Law, if required by law.

Performance: Determined that the District complied with the Public Bid Law for the contracts selected for testing.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

b) Observe whether the contract was approved by the governing body/board, if required by policy or law.

Performance: Determined that the selected contracts were approved by the board.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

c) If the contract was amended, observe that the original contract terms provided for such an amendment and that amendments were made in compliance with the contract terms.

Performance: Determined that selected contracts did not include amendments to the original contracts.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

Performance: Inspected the randomly selected invoice and compared to the written contract information to determine that the invoice and related payment complied with the terms of the contract.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Payroll and Personnel

18. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Performance: Observed the listing of employees and received management's representation of completeness in a separate letter. Randomly selected five employees, obtained personnel files, and agreed pay rates to personnel files.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

19. Randomly select one pay period during the fiscal period. For the five employees selected under #18 above, obtain attendance records and leave documentation for the pay period, and:

a) Observe that all selected employees or officials documented their daily attendance and leave.

Performance: Determined that all selected employees documented their daily attendance and leave for the selected pay period.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

b) Observe that supervisors approved the attendance and leave of the selected employees or officials.

Performance: Determined that the attendance and leave of each employee for the selected pay period was approved by each employee's respective supervisor.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

Performance: For the five employees selected, determined that accrued and/or paid leave in the pay period was properly reflected in the District's cumulative leave records.
Exceptions: There were no exceptions noted.
Management's Response: Not applicable.

d) Observe that the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Performance: For the five employees selected, determined that the pay rate as per the payroll check computation agreed to the pay rate in the personnel file.
Exceptions: There were no exceptions noted.
Management's Response: Not applicable

20. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity policy on termination payments. Agree the hours to the employee or officials' cumulate leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

Performance: Obtained a listing of the employees receiving termination payments and management's written representation that the list is complete. Management indicated that there were no employees terminated during the year.
Exceptions: There were no exceptions noted.
Management's Response: Not applicable.

21. Obtain management's representation that employer and employee portions of third-party payroll-related amounts have been paid, and any associated forms have been filed, by required deadlines.

    Performance: Obtained management's representation that employer and employee portions of third-party payroll-related amounts have been paid, and any related forms have been timely filed.
    Exceptions: There were no exceptions noted.
    Management's Response: Not applicable.

Ethics

22. Using the five randomly selected directors/employees from procedure #18 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

    a) Observe whether the documentation demonstrates each director/employee selected had completed one hour of ethics training during the fiscal period.

       Performance: Requested and reviewed the ethics course completion certificates for the directors/employees tested.
       Exceptions: No course completion certificates were provided.
       Management's response: All commissioners/employees will be required to complete annual ethics training.

    b) Observe whether the entity maintains documentation which demonstrates each employee and official was notified of any changes to the entity's policy during the fiscal period, as applicable.

       Performance: Determined that the District made no changes to its ethics policy during.
       Exceptions: There were no exceptions noted.
       Management's response: Not applicable.

23. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

    Performance: Inquired as to whether the agency has appointed an ethics designee as required by R.S. 42:1170.
    Exceptions: There were no exceptions noted.
    Management's response: Not applicable.

Debt Service

24. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each bond/note issued.

Performance: Obtained a list of all bonds issued during the fiscal year and traced them to supporting documentation and observed that State Bond Commission approval was obtained.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

25. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.

Performance: Obtained a listing of the outstanding debt at the end of the fiscal period and received management's representation of completeness in a separate letter. Inspected debt covenants, obtained supporting documentation for the balance and payments, and agreed the actual balance and payments to the required debt covenants for the one outstanding bond issue.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

<u>Fraud Notice</u>

26. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Performance: Inquired of management of any misappropriations of public funds or assets and determined that none were noted.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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

Performance: Inquired and observed such notice posted on the premises and website.
Exceptions: Determined that the fraud notice is not posted to the District's website.
Management's response: The fraud notice will be posted to the District's website.

Information Technology Disaster Recovery/Business Continuity

28. Perform the following procedures and verbally discuss the results with management.

    a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup (1) occurred within the past week, (2) was not stored on the entity's local server or network, and (3) was encrypted.

    b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past three months.

    c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select five computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting software in use are currently supported by the vendor.

29. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in procedure #20. Observe evidence that the selected terminated employees have been removed or disabled from the network.

30. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #18, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267 . The requirements are as follows:

    a) Hired before June 9, 2020 - completed the training; and
    b) Hired on or after June 9, 2020 - completed the training within 30 days of initial service or employment

Performance: We performed the procedures and discussed the results with management.

Prevention of Sexual Harassment

31. Using the five randomly selected directors/employees from procedure #18 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

    Performance: Observed that the documentation demonstrates each employee tested completed one hour of sexual harassment training during the calendar year.
    Exceptions: The sexual harassment training course completion certificates were not made available for the five employees tested.
    Management's Response: Management will ensure that all employees complete the required sexual harassment training course.

32. Observe that the entity has posted its sexual harassment policy and complaint procedure on its website.

    Performance: Review the District's website to determine if its sexual harassment policy is posted.
    Exceptions: Determined that the District's website does not include its sexual harassment policy.
    Management's Response: The sexual harassment policy will be posted to the District's website.

33. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344:

    a) Number and percentage of public servants in the District who have completed the training requirements;

    b) Number of sexual harassment complaints received by the District;

    c) Number of complaints which resulted in a finding that sexual harassment occurred;

    d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and

    e) Amount of time it took to resolve each complaint.

    Performance: Requested and reviewed a copy of the District's annual sexual harassment report to determine if it included the required disclosures.
    Exceptions: The District's annual sexual harassment report was not made available for review.
    Management's Response: The District will timely prepare the required annual sexual harassment report and make available for review.