

**Terrebonne Parish Recreation District No. 3A
Houma, Louisiana**

Annual Financial Report
As of and for the
Year Ended December 31, 2019

Terrebonne Parish Recreation District No. 3A

Annual Financial Report As of and for the Year Ended December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Terrebonne Parish Recreation District No. 3A
Houma, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Terrebonne Parish Recreation District No. 3A (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Terrebonne Parish Recreation District No. 3A, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 and the budgetary comparison schedule on page 21 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to District Head on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2020, 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.

A handwritten signature in black ink, appearing to read "Martin and Peltier".

Houma, Louisiana
April 16, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Terrebonne Parish Recreation District No. 3A

Terrebonne Parish Consolidated Government

Management's Discussion and Analysis

December 31, 2019

As management of the Terrebonne Parish Recreation District No. 3A (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, 2019.

FINANCIAL HIGHLIGHTS

- Terrebonne Parish Recreation District No. 3A's assets exceeded its liabilities by \$644,226 (net position) as of December 31, 2019.
- Expenditures exceeded revenues by \$2,723 during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's financial statements. The Terrebonne Parish Recreation District No. 3A's financial statements consist of following:

Statement of Net Position. This statement combines and consolidates the governmental fund's current financial resources (short-term spendable resources) with capital assets and long-term obligations, regardless if they are currently available or not.

Statement of Activities. Consistent with the full accrual basis method of accounting, this statement accounts for the entity-wide current year revenues and expenses regardless of when cash is received or paid.

Balance Sheet – Governmental Fund. This statement presents the District's assets, liabilities, and fund balance for its general fund only.

Statement of Revenues, Expenditures, and Change in Fund Balance – Governmental Fund Type – General Fund. Consistent with the modified accrual basis method of accounting, this statement accounts for current year revenues when received except when they are measurable and available. Expenditures are accounted for in the period that goods and services are used in the government's activities. In addition, capital asset purchases are expensed and not recorded as an asset. The statement also exhibits the relationship of revenues and expenditures with the change in fund balance.

Notes to Financial Statements. The accompanying notes provide additional information essential to a full understanding of the data provided in the basic financial statements.

Terrebonne Parish Recreation District No. 3A
 Terrebonne Parish Consolidated Government
 Management's Discussion and Analysis
 December 31, 2019

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 \$644,226 at December 31, 2019. The largest portion of the District's net position, \$346,165 or 53.73%, reflects its net investment in capital assets.

The District's Net Position

| | December 31, | |
|--------------------------------------|---------------------|-------------------|
| | 2019 | 2018 |
| ASSETS | | |
| Cash | \$ 319,532 | \$ 293,315 |
| Taxes receivable | 88,590 | 38,257 |
| Due from other governmental units | 44,744 | 68,276 |
| Deposit | 70 | 70 |
| Capital assets | 858,590 | 836,014 |
| Accumulated depreciation | <u>(512,425)</u> | <u>(466,938)</u> |
| Total assets | <u>799,101</u> | <u>768,994</u> |
| LIABILITIES | <u>7,641</u> | - |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred ad valorem taxes revenue | 142,296 | 117,107 |
| Deferred state revenue sharing | <u>4,938</u> | <u>4,938</u> |
| Total deferred inflows of resources | <u>147,234</u> | <u>122,045</u> |
| NET POSITION | | |
| Net investment in capital assets | 346,165 | 369,076 |
| Unrestricted | <u>298,061</u> | <u>277,873</u> |
| Total net position | <u>\$ 644,226</u> | <u>\$ 646,949</u> |

Terrebonne Parish Recreation District No. 3A

Terrebonne Parish Consolidated Government

Management's Discussion and Analysis

December 31, 2019

During the year, the District's net position decreased by \$2,723. The elements of the decrease are as follows:

The District's Change in Net Position

| | For the Year Ended December 31, | |
|------------------------------------|--|-------------------|
| | 2019 | 2018 |
| REVENUES | | |
| Taxes | \$ 116,878 | \$ 117,283 |
| Intergovernmental: | | |
| State of Louisiana revenue sharing | 4,939 | 5,034 |
| Charges for goods | 16,044 | 18,382 |
| Interest income | 1,847 | 1,825 |
| | | |
| Total revenues | <u>139,708</u> | <u>142,524</u> |
| EXPENDITURES | | |
| Ad valorem tax deductions | 4,364 | 3,978 |
| Personal services | 20,299 | 13,974 |
| Supplies and materials | 10,290 | 12,437 |
| Other services and charges | 49,023 | 47,985 |
| Repairs and maintenance | 12,968 | 23,688 |
| Depreciation | 45,487 | 45,426 |
| | | |
| Total expenditures | <u>142,431</u> | <u>147,488</u> |
| CHANGE IN NET POSITION | | |
| | <u>\$ (2,723)</u> | <u>\$ (4,964)</u> |

As indicated above, net position decreased by \$2,723. The decrease in the change in net position from 2018 to 2019 is mainly attributed to the decrease in repairs and maintenance.

Terrebonne Parish Recreation District No. 3A

Terrebonne Parish Consolidated Government

Management's Discussion and Analysis

December 31, 2019

CAPITAL ASSETS

As of December 31, 2019, the District had \$346,165 invested in capital assets.

| | 2019 | 2018 |
|-------------------------------|-------------------|-------------------|
| Fixed assets | \$ 858,590 | \$ 836,014 |
| Less accumulated depreciation | <u>(512,425)</u> | <u>(466,938)</u> |
| | \$ 346,165 | \$ 369,076 |

Depreciation expense for the year is \$45,487. The District spent \$22,576 in capital asset additions during the year. There were no retirements during the year.

BUDGET

The District amended its budget once during the fiscal year. The budget for revenues was \$146,900, and the budget for expenditures was \$121,500.

The District's actual revenues were less than the budgeted revenues by \$7,192, an unfavorable variance of 4.90%. The District's actual expenditures were less than the budgeted expenditures by \$1,980, a favorable variance of 1.63%.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with such an interest. Call the District's office (985-856-3781) attention Ms. Cathy Green, Accountant, if you should have any further questions concerning any of the information provided in this report or have a request for additional financial information.

FINANCIAL STATEMENTS

Terrebonne Parish Recreation District No. 3A

Statement of Net Position and
Governmental Fund Balance Sheet
December 31, 2019

| | <u>General Fund</u> | <u>Adjustments (Page 10)</u> | <u>Statement of Net Position</u> |
|--|-------------------------|----------------------------------|--------------------------------------|
| Assets | | | |
| Cash | \$ 319,532 | \$ - | \$ 319,532 |
| Taxes receivable | 88,590 | - | 88,590 |
| Due from other governmental units | 44,744 | - | 44,744 |
| Deposit | 70 | - | 70 |
| Total Current Assets | <u>452,936</u> | <u>-</u> | <u>452,936</u> |
| Capital assets | - | 858,590 | 858,590 |
| Accumulated depreciation | <u>-</u> | <u>(512,425)</u> | <u>(512,425)</u> |
| Total Non-Current Assets | <u>-</u> | <u>346,165</u> | <u>346,165</u> |
| Total Assets | <u>\$ 452,936</u> | <u>\$ 346,165</u> | <u>\$ 799,101</u> |
| Liabilities | <u>\$ 7,641</u> | <u>\$ -</u> | <u>\$ 7,641</u> |
| Deferred Inflows of Resources | | | |
| Deferred ad valorem taxes revenue | 142,296 | - | 142,296 |
| Deferred state revenue sharing | <u>4,938</u> | <u>-</u> | <u>4,938</u> |
| Total Deferred Inflows of Resources | <u>147,234</u> | <u>-</u> | <u>147,234</u> |
| Fund Balance | | | |
| Nonspendable | 70 | (70) | - |
| Unassigned | <u>297,991</u> | <u>(297,991)</u> | <u>-</u> |
| Total Fund Balance | <u>298,061</u> | <u>(298,061)</u> | <u>-</u> |
| Total Liabilities and Fund Balance | <u>\$ 452,936</u> | | |
| Net Position | | | |
| Net investment in capital assets | 346,165 | 346,165 | 346,165 |
| Unrestricted | <u>298,061</u> | <u>-</u> | <u>298,061</u> |
| Total Net Position | <u>\$ 644,226</u> | <u>\$ 644,226</u> | <u>\$ 644,226</u> |

See accompanying notes.

Terrebonne Parish Recreation District No. 3A
 Statement of Activities and Statement of Governmental Fund Revenues,
 Expenditures, and Change in Fund Balance
 Year Ended December 31, 2019

| | General Fund | Adjustments (Page 11) | Statement of Activities |
|---|-------------------|--------------------------|----------------------------|
| Revenues | | | |
| Taxes | \$ 116,878 | \$ - | \$ 116,878 |
| Intergovernmental: | | | |
| State of Louisiana revenue sharing | 4,939 | - | 4,939 |
| Charges for goods | 16,044 | - | 16,044 |
| Interest income | 1,847 | - | 1,847 |
| Total Revenues | 139,708 | - | 139,708 |
| Expenditures | | | |
| Current: | | | |
| General government: | | | |
| Ad valorem tax deductions | 4,364 | - | 4,364 |
| Culture and recreation: | | | |
| Personnel services | 20,299 | - | 20,299 |
| Supplies and materials | 10,290 | - | 10,290 |
| Other services and charges | 49,023 | - | 49,023 |
| Repairs and maintenance | 12,968 | - | 12,968 |
| Depreciation | - | <u>45,487</u> | <u>45,487</u> |
| Total culture and recreation | <u>92,580</u> | <u>45,487</u> | <u>138,067</u> |
| Capital outlay | 22,576 | (22,576) | - |
| Total Expenditures | 119,520 | 22,911 | 142,431 |
| Change in Fund Balance, General Fund | 20,188 | (20,188) | - |
| Change in Net Position | | (2,723) | (2,723) |
| Fund Balance/Net Position | | | |
| Beginning of year | <u>277,873</u> | <u>369,076</u> | <u>646,949</u> |
| End of year | \$ 298,061 | \$ 346,165 | \$ 644,226 |

See accompanying notes.

Terrebonne Parish Recreation District No. 3A
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
December 31, 2019

Fund balance - governmental fund \$ 298,061

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

Capital assets of \$858,590 net of accumulated depreciation of \$512,425, are not financial resources and, therefore, are not reported in the governmental fund.

346,165

Net position of governmental activities \$ 644,226

See accompanying notes.

Terrebonne Parish Recreation District No. 3A
Reconciliation of the Statement of Governmental Fund Revenues,
Expenditures and Change in Fund Balance to the
Statement of Activities
Year Ended December 31, 2019

| | |
|---|-----------|
| Change in fund balance - govermental fund | \$ 20,188 |
|---|-----------|

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

Govermental funds report capital outlay items as
expenditures whereas in the statement of activities
these costs are depreciated over their useful lives.

| | |
|------------------------|-------------------|
| Depreciation expense | (45,487) |
| Capital outlay | <u>22,576</u> |
| Change in net position | <u>\$ (2,723)</u> |

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Terrebonne Parish Recreation District No. 3A is a governmental entity that owns, operates, and maintains public recreational facilities in East Houma, Louisiana. Its service area includes the Village East and Lafayette Woods neighborhoods.

Because the Terrebonne Parish Consolidated Government appoints the governing board and thusly can impose its will, the Terrebonne Parish Recreation District No. 3A 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, 2019. 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 portion of the debt is included in the same net position component as the unspent proceeds.

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

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

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

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

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

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

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

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

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

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

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

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

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

Government-wide Financial Statements:

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

Fund Financial Statements:

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

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

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied.

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

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

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 2019 property taxes which are being levied to finance the 2020 budget will be recognized as revenue in 2020. The 2019 tax levy is recorded as deferred inflows of resources in the District's 2019 financial statements.

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

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

D. CASH AND CASH EQUIVALENTS

The District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

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.

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

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

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 cost is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

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

| | |
|----------------------------------|--------------|
| Buildings | 5 - 20 years |
| Improvements other than building | 5 - 20 years |
| Machinery and equipment | 5 - 20 years |
| Automobiles | 5 years |

Fund Financial Statements:

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

G. OPERATING BUDGETARY DATA

As required by the Louisiana Revised Statutes 39:1303, the Board of Directors (the Board) adopted a budget for the District's General Fund. The Board, as allowed by state law, does not obtain public participation in the budget process. 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. The General Fund budget presentation is included in the basic financial statements.

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

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

H. VACATION AND SICK LEAVE

The District has one full-time employee. There is no material accumulated unpaid vacation and sick leave as of December 31, 2019. Salaries and related employee benefits are paid by the Parish and subsequently reimbursed by the District. All salaries and related employee benefits transactions are reflected as personal services.

I. USE OF ESTIMATES

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

J. RECENT PRONOUNCEMENT

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

It establishes a single model for leases accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments’ leasing activities. The requirements of the Statement are effective for reporting periods beginning after December 15, 2019. Management has not yet determined the effect of this Statement on the financial statements.

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:

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements
Year Ended December 31, 2019

NOTE 2 – DEPOSITS (Cont.)

| | Bank Balance | Reported Amount |
|---------------------------|-----------------|--------------------|
| Cash and cash equivalents | \$ 325,674 | \$ 319,532 |

Custodial credit risk is the risk that in the event of 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, 2019 the District's bank balance of \$325,674 was insured by FDIC coverage and not exposed to custodial credit risk.

NOTE 3 – 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, 2016. 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, 2019 was \$6.90 per \$1,000 of assessed valuation on property within Recreation District No. 3A for the purpose of constructing, maintaining, and operating recreational facilities within the District. As indicated in Note 1C, taxes levied November 1, 2019 are for budgeted expenditures in 2020 and will be recognized as revenues in 2020.

NOTE 4 – COMPENSATION OF BOARD MEMBERS

As set forth in the District's by-laws, the Board serves without compensation.

NOTE 5 – DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units as of December 31, 2019 consisted of the following:

| | |
|--|-------------------------|
| Terrebonne Parish Tax Collector - December 2019/ Collections remitted to the District in January 2020 | |
| Ad valorem taxes | \$ 43,099 |
| State of Louisiana - State revenue sharing | 1,645 |
| | <u><u>\$ 44,744</u></u> |

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

NOTE 6 – CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

| | Balance December 31, 2018 | Additions | Deletions | Balance December 31, 2019 |
|--|---------------------------------|--------------------|-------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 102,098 | \$ - | \$ - | \$ 102,098 |
| Capital assets, being depreciated: | | | | |
| Buildings | 122,277 | - | - | 122,277 |
| Improvements other than buildings | 374,634 | 22,576 | - | 397,210 |
| Machinery and equipment | 224,132 | - | - | 224,132 |
| Automobiles | 12,873 | - | - | 12,873 |
| Total assets being depreciated | <u>733,916</u> | <u>22,576</u> | <u>-</u> | <u>756,492</u> |
| Less: Accumulated depreciation | | | | |
| Buildings | (98,375) | (5,434) | - | (103,809) |
| Improvements other than buildings | (197,245) | (29,176) | - | (226,421) |
| Machinery and equipment | (158,445) | (10,877) | - | (169,322) |
| Automobiles | (12,873) | - | - | (12,873) |
| Total accumulated depreciation | <u>(466,938)</u> | <u>(45,487)</u> | <u>-</u> | <u>(512,425)</u> |
| Total capital assets, net | <u>\$ 369,076</u> | <u>\$ (22,911)</u> | <u>\$ -</u> | <u>\$ 346,165</u> |

NOTE 7 – 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 for which the District carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation, group insurance and auto 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 insurance is based on a fixed rate per employee. The premium for auto liability is based on claims experience, vehicle type and mileage. The Parish handles all claims filed against the District related to workers' compensation and general liability. The District could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

Terrebonne Parish Recreation District No. 3A

Notes to the Financial Statements

Year Ended December 31, 2019

NOTE 7 – RISK MANAGEMENT (Cont.)

| <u>Policy</u> | <u>Coverage Limits</u> |
|-----------------------|------------------------|
| General liability | \$ 6,000,000 |
| Workers' compensation | \$ 25,000,000 |
| Employer's liability | \$ 6,000,000 |
| Auto liability | \$ 6,000,000 |

Coverage for general liability, workers' compensation and auto claims in excess of the stated limits above are to be funded first by assets of the Parish's risk management internal service fund, then secondly by the District. The Parish is self-insured for the first \$150,000 of each claim relating to group health. Insurance contracts cover excess liability, up to \$2,000,000 on individual claims. As of December 31, 2019, the District had no claims in excess of the above coverage limits. Expenditures for premiums to the parish for insurance coverage during the year ended December 31, 2019 totaled \$6,547.

NOTE 8 – SUBSEQUENT EVENTS

Subsequent events were evaluated through April 16, 2020, which is the date the financial statements were available to be issued. It was determined that the following event requires disclosure:

On January 30, 2020, the World Health Organization declared the COVID-19 “Coronavirus” outbreak a public health emergency. The virus rapidly spread from China to regions across the globe, eventually reaching the United States of America. In March 2020, the United States' governing bodies implemented drastic measures in an effort to slow the spread of the virus, including mandatory quarantining of certain areas of the population. Such efforts will likely have a negative impact on the local economy in which the District operates. No estimate of the financial effects of this event can be made at this time, but it is possible that taxpayers who fund the District's primary source of revenue, ad valorem taxes, will suffer financial hardship due to this global pandemic, resulting in potential difficulty in paying their property taxes.

REQUIRED SUPPLEMENTAL INFORMATION

Terrebonne Parish Recreation District No. 3A
 Budgetary Comparison Schedule – General Fund
 For the Year Ended December 31, 2019

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Over/ (Under) |
|-------------------------------------|-------------------------|-------------------|-----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 120,000 | \$ 120,000 | \$ 116,878 | \$ (3,122) |
| Intergovernmental: | | | | |
| State of Louisiana revenue sharing | 5,000 | 5,000 | 4,939 | (61) |
| Charges for goods | 20,000 | 20,000 | 16,044 | (3,956) |
| Interest income | 1,900 | 1,900 | 1,847 | (53) |
| Total Revenues | 146,900 | 146,900 | 139,708 | (7,192) |
| Expenditures | | | | |
| Current: | | | | |
| General government: | | | | |
| Ad valorem tax deductions | - | - | 4,364 | (4,364) |
| Culture and recreation: | | | | |
| Personnel services | 15,000 | 15,000 | 20,299 | (5,299) |
| Supplies and materials | 13,500 | 13,500 | 10,290 | 3,210 |
| Other services and charges | 40,000 | 55,000 | 49,023 | 5,977 |
| Repairs and maintenance | 28,000 | 13,000 | 12,968 | 32 |
| Total culture and recreation | 96,500 | 96,500 | 92,580 | 3,920 |
| Capital outlay | 50,000 | 25,000 | 22,576 | 2,424 |
| Total Expenditures | 146,500 | 121,500 | 119,520 | 1,980 |
| Revenues Over Expenditures | 400 | 25,400 | 20,188 | (5,212) |
| Fund Balance | | | | |
| Beginning of the year | 277,873 | 277,873 | 277,873 | - |
| End of year | \$ 278,273 | \$ 303,273 | \$ 298,061 | (5,212) |

See Independent Auditor's Report.

OTHER INFORMATION

Terrebonne Parish Recreation District No. 3A
Schedule of Compensation, Benefits and Other Payments
To District Head
For the Year Ended December 31, 2019

Chairperson: Mr. Randy LeBouef, Jr.

| Purpose | Amount |
|--|---------------|
| Salary | \$-0- |
| Benefits-insurance | -0- |
| Benefits-retirement | -0- |
| Benefits-other | -0- |
| Car allowance | -0- |
| Vehicle provided by government | -0- |
| Per diem | -0- |
| Reimbursements | -0- |
| Travel | -0- |
| Registration fees | -0- |
| Conference travel | -0- |
| Continuing professional education fees | -0- |
| Housing | -0- |
| Unvouchered expenses | -0- |
| Special meals | -0- |

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

See Independent Auditor's Report.

REPORT REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Directors
Terrebonne Parish Recreation District No. 3A
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 government activities and each major fund of Terrebonne Parish Recreation District No. 3A (the District), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated April 16, 2020.

Internal Control over Financial Reporting

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

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

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

that might 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 may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses (see finding 2019-01) that we consider to be a significant deficiency.

Compliance and Other Matters

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

The District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

A handwritten signature in black ink, appearing to read "Martin and Peltier".

Houma, Louisiana
April 16, 2020

Terrebonne Parish Recreation District No. 3A

Schedule of Findings and Responses

As of and for the Year Ended December 31, 2019

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. 3A.
2. One significant internal control deficiency (see finding 2019-01) was noted during the audit of the financial statements. This significant internal control deficiency was not considered a material weakness.
3. No instances of noncompliance or other matters required to be reported in accordance with *Government Auditing Standards*, were noted during the audit.
4. A management letter was not issued.
5. The District did not receive or expend federal funds during the year.

Section II – Financial Statement Findings

2019-01

Statement of Condition: A significant deficiency in the District’s internal control.

Criteria: In our consideration of internal control, we noted that the size of Terrebonne Parish Recreation District No. 3A’s operations and its limited accounting staff preclude an inadequate segregation of duties and other features of an adequate system of internal control.

Effects of Condition: The internal control, in our judgment, could adversely affect the entity’s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause of Condition: The size of the Terrebonne Parish District No. 3A and its limited accounting staff preclude an inadequate segregation of duties and other features of an adequate system on internal control.

Recommendation: The Board of Directors of the Terrebonne Parish Recreation District No. 3A should closely monitor the day-to-day activities of the District.

Response: The management of the Terrebonne Parish Recreation District No. 3A concurs with this finding.

Questioned Costs:

\$ -0-

Terrebonne Parish Recreation District No. 3A
Management's Corrective Action Plan for Current Year Findings
As of and for the Year Ended December 31, 2019

The contact person for all corrective actions noted below is Ms. Cathy Green, Accountant.

Section I – Internal Control and Compliance

Inadequate Internal Control

Condition: A significant deficiency in the internal control related to lack of segregation of duties.

Recommendation: The Board of Directors of the District should closely monitor the day-to-day activities of the District.

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the District.

Section II – Internal Control and Compliance Material To Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

Terrebonne Parish Recreation District No. 3A

Schedule of Prior Findings and Responses

As of and for the Year Ended December 31, 2019

Note: All prior findings relate to the December 31, 2018 audit engagement.

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

Inadequate Internal Control

Condition: A significant control deficiency in the internal control related to lack of segregation of duties.

Recommendation: The Board of Directors of the District should closely monitor the day-to-day activities of the District.

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the District.

Current Status: Unresolved. The District has implemented the recommendation, but the lack of segregation of duties continues to exist. As such, the District will continue to perform the recommendation.

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.