

***TERREBONNE PARISH RECREATION
DISTRICT NO. 2/3
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017***

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
ANNUAL FINANCIAL REPORT
As of and for the Year Ended December 31, 2017

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS	<u>Page</u> 1
FINANCIAL SECTION	
Independent Auditor's Report	7
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Fund –General Fund	12
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Fund – General Fund	13
Notes to the Financial Statements	14
REQUIRED SUPPLEMENTAL INFORMATION	
Budget Comparison Schedule – General Fund	24
OTHER INFORMATION	
Schedule of Compensation, Benefits and Other Payments to Agency Head	25
REPORTS REQUIRED ACCORDING TO 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 <i>Government Auditing Standards</i>	26
Schedule of Current Year Findings	28

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

This discussion and analysis of the Terrebonne Parish Recreation District No. 2/3 (the District)'s financial performance provides a narrative overview of the financial activities as of and for the fiscal year ended December 31, 2017. Please read it in conjunction with the basic financial statements and the accompanying notes to the financial statements.

FINANCIAL HIGHLIGHTS

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

- The net position increased because of this year's operations - by \$2,349,682 approximately 25%. At the end of the year assets exceeded liabilities by \$11,658,316 (net position).
- During the year, expenses for recreational programs and facility upkeep were \$927,404, an increase of approximately 24% from the prior year. Revenues generated from these programs were \$1,942,695. General revenues of ad valorem taxes and revenue sharing increased by 9% from the prior year and were \$1,334,391.
- The General Fund reported an ending fund balance of \$3,046,933 for recreation operations. All of the balance is considered unassigned and available for future operations.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (Government-Wide Financial Statements) provide information about the governmental activities as a whole and present a longer-term view of the finances. The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds (Fund Financial Statements) 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 basic financial statements are fairly stated. The auditor, regarding the Required Supplemental Information and the Other Supplemental 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 other parts in the Annual Report.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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.

Both government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues, governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, business-type activities.

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 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 an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the 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 reconciliation at the bottom of the fund financial statements.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

FINANCIAL ANALYSIS AS A WHOLE (GWFS)

Net position increased approximately 32%. Net invested in capital assets—absorbed most of the increase this year. The balance in net position represents the accumulated results of all past years' operations.

Our analysis below focuses on the net position and changes in net position of the governmental-type activities.

	Condensed Statement of Net Position		Dollar
	2016	2017	Change
Current and Other Assets	\$2,850,062	\$4,399,530	\$101,549,468
Capital Assets	8,038,217	8,611,383	573,166
Total Assets	10,888,279	13,010,913	102,122,634
Current Liabilities	328,037	153,433	(174,604)
Deferred Inflows	1,251,608	1,199,164	(1,132,444)
Net Invested in Capital Assets	8,038,217	8,611,383	573,166
Unrestricted	1,270,417	3,046,933	1,776,516
Total Net Position	\$9,308,634	\$ 11,658,316	\$ 2,349,682

Program expenses increased by 24% while program revenues increased significantly by over 10% due to cooperative agreement with TPCG for reimbursement of construction costs for the new complex and the LWCF Grant from the State. General revenues for the governmental activities decreased slightly by 9%.

	Condensed Statement of Activities		Dollar
	2016	2017	Change
Total program expenses	\$ (746,454)	\$ (927,404)	\$ 180,950
Total program revenues	1,767,898	1,942,695	174,797
Net program income	1,021,444	1,015,291	(6,153)
General revenues	1,224,104	1,334,391	110,287
Change in Net Position	2,245,548	2,349,682	104,134
Net Position:			
Beginning of the year	7,063,086	9,308,634	2,245,548
End of the year	\$ 9,308,634	\$ 11,658,316	\$ 2,349,682

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

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 reported an ending fund balance of \$3,046,933. Total revenues for governmental funds were \$3,277,086, an increase from the prior year of 10% mainly due to the TPCG Reimbursements and the LWCF Grant from the State for the new complex.

Current expenditures for recreation activities were \$729,829, an increase of 28% from the prior year. Capital outlay equaled \$770,741 for additions of facilities and improvements and equipment and furniture.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget for the General Fund was amended during the year. The District received over \$900,000 more than budgeted in revenues and consequently was not in compliance with the State Budget Law. A summary of the increases and decreases from the original budget follows:

Original budgeted revenues	\$ 1,153,000
Amendments were made for:	
Increased Ad Valorem taxes	90,000
Increase in Complex Drawdown's	1,100,000
Total amendments	1,190,000
Amended budgeted revenues	\$2,343,000
Original budgeted expenditures	\$ 556,700
Amendments were made for:	
Increased supplies & materials	30,000
Increased capital outlay	25,000
Total amendments	55,000
Amended budgeted expenditures	\$611,700

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

CAPITAL ASSETS

A summary of capital assets follows:

	Beginning Balance	Ending Balance
NON-DEPRECIABLE ASSETS		
Land	\$285,555	\$285,555
Construction in Progress	5756,658	517,554
Total Non-Depreciable Assets	6,042,213	803,109
DEPRECIABLE ASSETS:		
Facilities & Improvements	2,953,256	8,942,240
Equipment & Furniture	579,809	596,419
Vehicles	32,846	32,846
Total Cost of depreciable assets	3,585,911	9,571,505
Total Cost of assets	9,608,124	10,974,614
Total accumulated depreciation	1,569,907	1,763,232
Net depreciable assets	\$1,996,004	\$7,808,273
Net capital assets	\$8,083,217	\$8,611,382

This year there was \$6,363,264 of additions of improvements, vehicles, and equipment purchases and included \$5,592,523 transferred from construction in progress. Depreciation of \$197,573 was recorded on capital assets in the governmental activities. More detailed information about the capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Highlights of next year's budget follows:

Condensed Summary of Budgeted Finances	
	2018
Anticipated revenues	\$ 1,251,000
Expenditures:	
Current	562,700
Capital outlay	1,192,500
Anticipated expenditures	1,755,200

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2017

Net change in fund balance	(504,200)
Fund Balance:	
Beginning of the year	<u>3,017,381</u>
End of the year	<u>\$ 2,513,180</u>

CONTACTING FINANCIAL MANAGEMENT

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 questions about this report or need additional financial information, contact:

Board of Commissioners
412 Westview Drive
Houma, LA 70364
Phone number 985-868-7321

FINANCIAL SECTION



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Terrebonne Parish Recreation District No. 2/3, a component unit of Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2017, and the notes to the financial statements, which collectively comprise the 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 basic 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 Statements*, 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 basic financial statements are free of material misstatement.

An audit includes performing procedures to obtain audit evidence supporting 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 evaluation the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund as of December 31, 2017 and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Schedule of Compensation, Benefits and Other Payments to Agency Head are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

These schedules are the responsibility of management and were derived from and relate 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 Agency Head are 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 a report dated May 21, 2018, on our consideration of the internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting and compliance.

Stagni & Company

Thibodaux, Louisiana
May 21, 2018



TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Statement of Net Position

December 31, 2017

ASSETS

Cash	\$ 2,966,860
Ad Valorem taxes receivable	611,110
Due from other governments	819,375
Other	2,185
Capital Assets, net of accumulated depreciation	8,611,383
TOTAL ASSETS	13,010,913

LIABILITIES, DEFERRED INFLOWS AND NET POSITION

Liabilities:

Accounts payable	3,516
Unearned revenue-ad valorem taxes	149,917
TOTAL LIABILITIES	153,433

Deferred Inflows of Resources-

Property taxes - subsequent year	1,199,164
----------------------------------	-----------

Net Position:

Net Invested in capital assets	8,611,383
Unrestricted	3,046,933
<i>Total net position</i>	<u>\$ 11,658,316</u>

See notes to financial statements.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Statement of Activities - Governmental Activities

For the Year Ended December 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenue		Net (Expense) Revenue
		Charges for services	Operating & Capital Grants	
Recreational activities:	\$ 927,404	\$ 39,537	\$ 1,903,158	\$ 1,015,291
Total governmental activities	<u>\$ 927,404</u>	<u>\$ 39,537</u>	<u>\$ 1,903,158</u>	<u>1,015,291</u>
GENERAL REVENUES				
Ad valorem taxes				1,289,051
State revenue sharing				31,322
Interest				1,405
Miscellaneous				<u>12,613</u>
Total General Revenues				<u>1,334,391</u>
Change in Net Position				2,349,682
NET POSITION:				
Beginning of year				9,308,634
End of year				<u><u>\$ 11,658,316</u></u>

See notes to the financial statements.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Balance Sheet - Governmental Fund - General Fund

December 31, 2017

ASSETS

Cash	\$ 2,966,860
Ad Valorem taxes receivable	611,110
Due from other governments	819,375
Meter deposits	2,185
TOTAL ASSETS	<u>\$ 4,399,530</u>

LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE

Liabilities -

Accounts payable	\$ 3,516
Unearned revenue-ad valorem taxes	149,917
	<u>153,433</u>

Deferred Inflows of Resources -

Property taxes - subsequent period	1,199,164
------------------------------------	-----------

Fund balances:

Unassigned	3,046,933
------------	-----------

RECONCILIATION TO STATEMENT OF NET POSITION:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - Capital Assets-Nondepreciable	803,109	
Add - Capital Assets-Depreciable	9,571,506	
Deduct - Accumulated Depreciation	<u>(1,763,232)</u>	8,611,383
Net assets of governmental activities		<u>\$ 11,658,316</u>

See notes to financial statements.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Fund - General Fund
For the Year Ended December 31, 2017

REVENUES

Ad Valorem Taxes	\$ 1,289,051
State Revenue Sharing	31,322
Concession Sales	39,537
Intergovernmental-State	667,767
TPCG Drawdowns - Complex	1,235,391
Interest	1,405
Miscellaneous	12,613
TOTAL REVENUES	<u>3,277,086</u>

EXPENDITURES

Recreational - current:

Personal services and benefits	217,328
Supplies & materials	148,857
Other services & charges	64,080
Repairs & Maintenance	299,564
<i>Total current</i>	<u>729,829</u>

Capital Outlay

TOTAL EXPENDITURES	<u>770,741</u>
---------------------------	----------------

NET CHANGE IN FUND BALANCES

<u>1,500,570</u>
<u>1,776,516</u>

FUND BALANCES:

Beginning of year	1,270,417
End of year	<u><u>\$3,046,933</u></u>

RECONCILIATION TO THE STATEMENT OF ACTIVITIES:

Net change in fund balances per above \$ 1,776,516

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

Add - Capital outlay	\$ 770,741	
Miscellaneous adjustment to assets	(2)	
Deduct - Depreciation expense	<u>(197,573)</u>	573,166
Change in net assets - governmental activities		<u><u>\$ 2,349,682</u></u>

See notes to financial statements.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

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

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying basic financial statements have been prepared in conformity with governmental accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

As the governing authority, the Terrebonne Parish Consolidated Government is the financial reporting entity for Terrebonne Parish. Because the Terrebonne Parish Consolidated Government could by definition in statute be financially burdened by the Terrebonne Parish Recreation District No. 2/3, the District was determined to be a component unit of the Terrebonne Parish Consolidated Government. The accompanying financial statements present information only on the funds maintained by the District and its component unit and do not present information on the Terrebonne Parish Consolidated Government, the general government services provided by that governmental unit, or the other governmental reporting entity.

The accompanying financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ending December 31, 2017.

C. Fund Accounting

The accounting system is organized and operated on a fund basis whereby a separate self-balancing set of accounts is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The various funds in the financial statements in this report are as follows:

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

Governmental Fund Type

Governmental funds account for all or most of the general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid.

The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period programs or operations. The governmental fund is the General Fund. The General Fund is used to account for all financial resources and expenditures except those required to be accounted for in other funds. The General Fund is *always* a major fund.

D. Measurement Focus / Basis of Accounting

Fund Financial Statements (FFS)

The amounts reflected in fund financial statements, are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach is then reconciled, through adjustment, to a government-wide view of operations.

The amounts reflected in the fund financial statements, use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available).

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. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The court considers all revenues available if they are collected within 60 days after the fiscal year end.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

D. Measurement Focus / Basis of Accounting (continued)

Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The governmental funds use the following practices in recording revenues and expenditures:

Revenues – Ad valorem taxes and the related state revenue sharing are recorded as revenue in the period for which levied, thus the 2016 property taxes which were levied to finance the 2017 budget are recognized as revenue in 2017. The 2017 tax levy is recorded as deferred revenue in the current 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 or available until actually received.

Expenditures – The major expenditures are recorded when payable or when the fees are incurred.

Government-Wide Financial Statements (GWFS)

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions are recognized in accordance with the requirements of Section N50.

Program Revenues - Program revenues included in the column labeled Statement of Activities are derived directly from users as a fee for services; program revenues reduce the cost of the function to be financed from the general revenues.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

E. 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.

F. Operating Budgets

As required by Louisiana Revised Statutes, The Board of Commissioners 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. The Board must approve any amendment involving the transfer of monies from one function to another, or increases in expenditures. The district did amend its budget for the year ended December 31, 2017. All budgeted amounts that 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.

G. Cash and Investments

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.

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

H. Receivables

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

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

I. Capital Assets

In the government-wide financial statements, additions, improvements and other capital outlays that significantly extend the useful life of an asset are recorded and depreciated (capitalized). Capital assets purchased or acquired with an original cost of \$1000 or more are valued at historical cost or estimated if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. 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 Assets. All capital assets, other than land, are depreciated using the straight-line method over the following estimated useful lives:

CATEGORY	LIFE
BUILDINGS AND IMPROVEMENTS	10-40 YEARS
IMPROVEMENTS, OTHER THAN BUILDINGS	5-30 YEARS
EQUIPMENT & FURNITURE	5-20 YEARS
VEHICLES	5 YEARS

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

J. Vacation and Sick Leave

Accumulated vacation and sick leave are recorded as expenditures of the period in which paid. Employees earn between 96 to 136 hours of vacation leave, depending on the length of employment. Accumulated vacation leave is due to the employee at the time of termination or death. The vacation policy provides that employees are to take vacation within one year of being earned, with no carry forward provisions.

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

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued)

K. Fund Equity

For government-wide financial statements net assets are classified and displayed in three components:

- Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any.
- Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as *non-spendable*, *restricted*, *committed*, *assigned*, or *unassigned*.

- *Non-spendable* fund balance cannot be spent because of its form.
- *Restricted* fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.
- *Committed* fund balance is a limitation imposed by the Board through approval in minutes.
- *Assigned* fund balances is a limitation imposed by a designee of the Board.
- *Unassigned* fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 2 DEPOSITS

A summary of deposits are listed as follows:

	Bank Balance	Reported Amount
Cash	\$2,995,961	\$2,966,860
TOTAL DEPOSITS	\$2,995,961	\$2,966,860

State law requires that deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the 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. Under the provision of GASB, pledged securities, which are not in the name of the governmental unit, are considered uncollateralized.

Custodial credit risk is the risk that in the event of a bank failure, deposits may not be returned to it. The District has a written policy for custodial credit risk. As of year-end \$2,745,961 of the bank balance of deposits was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. The District has pledged securities adequate to secure this risk.

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 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 3 AD VALOREM 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. A reevaluation of all property is required to be completed no less than every four years. The last reevaluation was completed for the list 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. The tax rate for the year ended December 31, 2017 was 5.000 mills of assessed valuation on property within the District for the purpose of constructing, maintaining and operating recreation facilities within the District.

Taxes levied in November 2017 are for budgeted expenditures in 2018 and will be recognized as revenues in 2018 and are therefore classified as unearned and deferred revenue on the balance sheet.

Note 4 CAPITAL ASSETS

Information about capital assets and depreciation for the year are summarized as follows:

	Beginning Balance	Additions	Adjustment	Ending Balance
NON-DEPRECIABLE ASSETS				
Land	\$ 285,555	\$ -	\$ -	\$ 285,555
Construction in Progress	5,756,658	353,419	(5,592,523)	517,554
Total Non-Depreciable Assets	6,042,213	353,419	(5,592,523)	803,109
DEPRECIABLE ASSETS:				
Facilities & Improvements	2,953,256	5,990,985	(2,000)	8,942,241
Equipment & Furniture	579,808	18,860	(2,249)	596,419
Vehicles	32,846	-	-	32,846
Total Cost of depreciable assets	3,585,911	6,009,845	(4,249)	9,571,506
Total Cost of assets	9,608,124	6,363,264	(5,596,772)	10,374,615
ACCUMULATED DEPRECIATION				
Facilities & Improvements	1,330,204	142,695	(1,999)	1,470,900
Equipment & Furniture	220,431	49,449	(2,249)	267,631
Vehicles	19,272	5,429	-	24,701
Total accumulated depreciation	1,569,907	197,573	(4,249)	1,763,232
Net depreciable assets	\$1,996,004			\$7,808,274
Net capital assets	\$8,038,217			\$8,611,383

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 4 CAPITAL ASSETS (continued)

Depreciation Expense of \$197,573 was recorded in the governmental activities. Total additions to capital assets included \$5,592,523 transferred from construction in progress to facilities and improvements for projects that were completed and transferred during the year.

Note 5 INTERGOVERNMENTAL AGREEMENT - TPCG

The District executed a cooperative endeavor agreement with the Terrebonne Parish Consolidated Government (TPCG) on April 15, 2015 to provide supplemental funding for the various phases of construction of the Bayou Country Sports Park. The goal of creating the multi-purpose sports complex included TPCG's purchase of certain parcels for the proposed approximately 114.06-acre site, of which TPCG will grant right of use to the District if the District maintains the property and implements the Master Plan, as may be amended.

The supplemental funding for the various phases of construction was for an amount not to exceed the dedicated 1% Hotel Motel Tax and/or related bond proceeds approved in the Parish adopted budget and/or budget amendments. During 2017 the Parish reimbursed \$1,035,391 to the District.

During the year the Parish also agreed to fund \$200,000 for a parking lot for the Complex.

Note 6 INTERGOVERNMENTAL REVENUE – STATE OF LA

The District executed a cooperative endeavor agreement with the State of Louisiana, Facility Planning & Control, LA Division of Administration for cost reimbursements basis for construction costs for the project Terrebonne Sports Complex, Phase 1 Infrastructure Improvements, Acquisition, Planning and Construction. During 2017 the State reimbursed \$667,767 to the District for these costs.

Note 7 DUE FROM OTHER GOVERNMENTS

Amounts due from other governmental units consisted of the following:

Tax Collector-taxes collected but not yet remitted	\$588,054
State of Louisiana-Facility Planning & Control	31,321
TPCG-Drawdowns	200,000
Total	<u>\$819,375</u>

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Notes to the Financial Statements
For the Year Ended December 31, 2017

Note 8 RISK MANAGEMENT

The District is exposed to various risks of loss related to workmen's compensation; torts; theft of, damage to and destruction of assets; errors and omissions; 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 and workers' compensation and group health, property and auto liability. The premiums for workers' compensation are based on a fixed percentage of payrolls. The premiums for group health insurance are based on a fixed rate per employee. The premiums for auto liability are based on the 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. No settlements were made during the year that exceeded the District's insurance coverage.

Note 9 COMPENSATION OF BOARD MEMBERS

There was not compensation paid to Board Members for the year.

***REQUIRED SUPPLEMENTAL
INFORMATION***

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Budget Comparison Schedule - General Fund
For the Year Ended December 31, 2017

	Budgets			Fav (Unfav)
	Original	Final	Actual	Variance
REVENUES				
Ad Valorem Taxes	\$1,100,000	\$1,190,000	\$1,289,051	\$ 99,051
State Revenue Sharing	28,000	28,000	31,322	3,322
Concession Sales	25,000	25,000	39,537	14,537
Intergovernmental-State	-	-	667,767	667,767
TPCG Drawdowns - Complex	-	1,100,000	1,235,391	135,391
Interest	-	-	1,405	1,405
Miscellaneous	-	-	12,613	12,613
TOTAL REVENUES	1,153,000	2,343,000	3,277,086	934,086
Recreational - current:				
Personal services and benefits	176,200	176,200	217,328	(41,128)
Supplies & materials	106,000	136,000	148,857	(12,857)
Other services & charges	161,500	161,500	64,080	97,420
Repairs & Maintenance	113,000	113,000	299,564	(186,564)
	<u>556,700</u>	<u>586,700</u>	<u>729,829</u>	<u>(143,129)</u>
Capital outlay	-	25,000	770,741	(745,741)
TOTAL EXPENDITURES	556,700	611,700	1,500,570	(888,870)
Revenue over (under) expenditures	596,300	1,731,300	1,776,516	45,216
FUND BALANCES				
Beginning of year	1,270,417	1,270,417	1,270,417	-
End of year	<u>\$ 1,866,717</u>	<u>\$ 3,001,717</u>	<u>\$ 3,046,933</u>	<u>\$ 45,216</u>

OTHER INFORMATION

TERREBONNE PARISH RECREATION DISTRICT NO. 2/3

Schedule of Compensation, Benefits and Other Payments to Agency Head
For the Year Ended December 31, 2017

Agency Head Name: GARY BEESON, CHAIRMAN OF THE BOARD

Purpose	Amount
Salary	\$0
Supplemental Pay	\$0
Benefits-insurance	\$0
Benefits-retirement	\$0
Deferred compensation (contributions made by the agency)	\$0
Benefits-other (describe)	\$0
Car allowance	\$0
Vehicle provided by government (enter amount reported on W-2 adjusted for various fiscal years)	\$0
Cell phone	\$0
Dues	\$0
Vehicle rental	\$0
Per diem	\$0
Reimbursements	\$0
Travel	\$0
Registration fees	\$0
Conference travel	\$0
Housing	\$0
Unvouchered expenses (example: travel advances, etc.)	\$0
Special meals	\$0
Other (including payments made by other parties on behalf of the agency head)	\$0

This form is used to satisfy the reporting requirement of R.S. 24:513(A)(3) on Supplemental Reporting

***REPORTS REQUIRED BY GOVERNMENT
AUDITING STANDARDS***



STAGNI & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

**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 Commissioners of
Terrebonne Parish Recreation District No. 2/3
Houma, LA

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Terrebonne Parish Recreation District No. 2/3, a component unit of Terrebonne Parish Consolidated Government as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents and have issued our report thereon dated May 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of current year findings as item 2017-1.

Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Stagni & Company

May 21, 2018
Thibodaux, Louisiana



TERREBONNE PARISH RECREATION DISTRICT NO. 2/3
Schedule of Current Year Findings
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Reports

- The auditor's report expresses an unmodified opinion on the basic financial statements.
- No deficiencies in internal control over financial reporting were disclosed during the audit of the financial statements.
- Two instances of noncompliance or other matters under *Government Auditing Standards* were disclosed during the audit of the financial statements described as item 2017-1 and 2017-3 below.
- One instance of noncompliance under the provisions of Louisiana Governmental Audit Guide were disclosed during the audit of the basic financial statements described as item 2017-2.
- There was no management letter issued in connection with this report.
- The District neither received nor expended any federal awards during the year.

Section II - Financial Statement Findings

FINDING # 2017-1

DESCRIPTIVE CAPTION *Budgeting*

A

- **Criteria or specific requirement:**

The Local Government Budget Act (R.S. 39:1311) requires notification and a budget amendment when actual receipts plus projected revenue collections for the year fail to meet budgeted revenues by five percent or more, or when actual expenditures plus projected expenditures to year end exceeded budgeted expenditures by five percent or more.

- **Condition found:**

At the end of the year total expenditures were \$888,870 or 145% underbudgeted.



- **Cause:**

In the original budget for 2017 that the Board adopted was amended to reflect \$1,100,000 in drawdowns from Terrebonne Parish Consolidated Government, however were reflected as a credit to the capital outlay in the budget. So consequently the Board amended the budget to reflect the revenue but did not increase the capital outlay budget for the expenditures.

- **Effect:**

The total unfavorable expenditure budget was 145%, which was a violation of the Local Budget Act of 5%.

- **Questioned costs:**

None

- **Recommendations:**

The Board should budget and the accountant should code all expected revenues from all sources by line item and all expected expenditures for each type of expenditure to sufficiently monitor the budget variances.

- **Management's Response:**

Pursuant to Parish Code of Ordinances Chapter 21, Article V, Ordinance No. 8950, adopted to increase the Recreation District 2/3 Board to Nine (9) members effective June 1, 2018. The Parish Council dissolved the former Board and none of the former Board members are on the current Board. It was the former Board's practice to budget the reimbursement expected to be received from the Parish as a reduction of the capital outlay. The current Board will not follow that practice and will budget reimbursements and capital outlay as required by line item.

FINDING # 2017-2

DESCRIPTIVE CAPTION Louisiana Compliance Questionnaire

A

- **Criteria or specific requirement:**

The Louisiana Compliance Questionnaire is a required part of a financial audit of Louisiana state and local government agencies. Upon completion the questionnaire must be presented to and adopted by the governing body by means of a formal resolution in an open meeting.

- **Condition found:**

The questionnaire was not adopted by the governing body by means of a formal resolution in an open meeting.

- **Cause:**

Pursuant to Parish Code of Ordinances Chapter 21, Article V, Ordinance No. 8950, adopted to increase the Recreation District 2/3 Board to Nine (9) members effective June 1, 2018. The Parish Council dissolved the former Board and none of the former Board members are on the current Board. The former Board did not adopt the resolution before the Parish dissolved the Board. The current Board had its first meeting in June of 2018 – and did not have enough time to understand, nor adopt the questionnaire.

- **Effect:**

Because the questionnaire was not adopted, the District has a compliance finding in the audit report.

- **Questioned costs:**

None

- **Recommendations:**

The Board should complete and adopt the questionnaire at the beginning of the audit and submit to the auditor, along with the required resolution for future audits.

- **Management's Response:**

The Board will complete and adopt the questionnaire at the beginning of the audit and submit to the auditor, along with the required resolution for future audits.

FINDING # 2017-3

DESCRIPTIVE CAPTION *Delinquent Filing of Audit Report*

- **Criteria or specific requirement:**

The District is required by Louisiana Law to complete and file with the Legislative Auditor's Office the audit report within six months of the close of the fiscal year end.

- **Condition found:**

The District did not file the audit report by the required deadline of June 30, 2018.

- **Cause:**

Pursuant to Parish Code of Ordinances Chapter 21, Article V, Ordinance No. 8950, adopted to increase the Recreation District 2/3 Board to Nine (9) members effective June 1, 2018. The Parish Council dissolved the former Board and none of the former Board members are on the current Board. The current Board had its first meeting in June of 2018 – and did not have enough time to understand the audit or sign a Management Representation Letter that is required to be signed before submitting the audit report.



- **Effect:**

The audit report was not filed by the required deadline and as a result there is a compliance finding to report.

- **Questioned costs:**

None

- **Recommendations:**

At the July 2018 scheduled meeting of the Board, the auditor will explain the findings and go over the audit report and findings and encourage the Board to approve the Chairman sign the Management's Representation Letter in connection with the audit.

- **Management's Response:**

The Board will approve for the Chairman to sign the Management's Representation Letter for the audit.

Section III - Federal Award Findings and Questioned Costs

- There were no federal award findings during the audit of the basic financial statements.

