

Financial Report

Terrebonne ARC
Houma, Louisiana

June 30, 2022



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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Terrebonne ARC (the "Association"), a component unit of the Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Association as of June 30, 2022 and the respective changes in net position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Association and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's basic financial statements. The accompanying Combining Governmental Fund Balance Sheet - General Fund Departments as of June 30, 2022, the Combining Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance - General Fund Departments and the Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer for the year then ended, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. This 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 information 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 February 1, 2023 on our consideration of Terrebonne ARC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 effectiveness of the Association's 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 Association's internal control over financial reporting and compliance.

Bougeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
February 1, 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Terrebonne ARC

June 30, 2022

This section of the Association's financial report presents our discussion and analysis of the Association's financial performance during the year ended June 30, 2022. This document focuses on the current year's activities, resulting changes and currently known facts. Please read it in conjunction with the basic financial statements which follow this section.

FINANCIAL HIGHLIGHTS

- The Association's assets exceeded its liabilities as of June 30, 2022 by \$26,017,00 (net position), which represents a 6.8% increase from last year. Of this amount, \$15,328,018 (unrestricted net position) may be used to meet the Association's ongoing obligations.
- Intergovernmental revenues increased by \$166,232, or 3.1%, due to an increase in the amount received from Terrebonne Parish Consolidated Government. Charges for service revenues increased by \$493,789, or 11.4%, due to increases in services provided due to the Coronavirus (COVID-19) pandemic in the prior year. The Association received loan forgiveness for a \$1,216,500 loan from South Louisiana Bank under the Paycheck Protection Program in the prior year. The Association recognized \$402,759 in impairment gain revenue and \$217,590 in insurance proceeds as a result of Hurricane Ida. Miscellaneous revenues decreased by \$21,164, or 10.0%, primarily due to insurance reimbursements received for vehicle accidents in the prior year. Total revenues increased by \$52,436, or 0.5%.
- The Association's total expenses increased by \$372,654. Personal services decreased by \$96,715, or 1.5% due to staff turnover. Supplies and materials increased by \$244,676, or 58.4%, primarily due to an increase in the cost of fuel, additional miles driven as individuals returned to the Association's day programs and increases in food and kitchen supply costs directly related to the increase in sales at the Bayou Country Café. Other services and charges increased by \$90,168, or 7.9%, due to increases in insurance rates, utilities, dues and information technology services, expenses related to increased sales and costs related to the operating of vocational programs, and costs associated with CARF accreditation. Repairs and maintenance increased by \$144,338, or 69.9%, due to damages caused by Hurricane Ida and costs associated with opening a retail beads store. Depreciation increased \$53,923, or 9.0%, due to the purchase of new building, vehicles and equipment.

FINANCIAL HIGHLIGHTS (Continued)

- The Association’s governmental fund reported that current assets increased by \$1,103,591, or 7.4%, while total liabilities increased by \$285,561, or 93.6%. Assets exceeded liabilities as of June 30, 2022 by \$15,523,523 (fund balance) with an increase of \$818,030, or 5.6%. Of this over \$15 million in fund balance, \$185,882 is non-spendable, \$7,597,328 is committed for dedicated emergencies and contingencies, \$4,508,411 is assigned for next year’s budget deficit and \$342,844 received from donations is assigned for designated expenditures. Unassigned fund balance amounted to \$2,889,058 as of June 30, 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements focus on the Association as a whole (government-wide) and the major individual fund. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance the Association’s accountability. The Statement of Net Position and the Statement of Activities provide information about the activities of the Association as a whole and present a longer-term view of the Association’s finances. For governmental activities, fund financial statements tell how these services were financed in the short term as well as what remains for future spending.

Reporting the Association as a Whole

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)**Reporting the Association as a Governmental Fund**

The Association's services are reported in a governmental fund, which focuses on how money flows into and out of the fund and the balance left at year-end that is available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Association's general operations and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Association's programs. We describe the relationship (or differences) between activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in reconciliations, which are reflected on the page following each governmental fund statement (see Exhibits D and F).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of June 30, 2022, with comparative figures as of June 30, 2021:

Condensed Statement of Net Position

| | June 30, | | Dollar Change | Total Percent Change |
|----------------------------------|----------------------|----------------------|---------------------|----------------------------|
| | 2022 | 2021 | | |
| Current and other assets | \$ 16,114,302 | \$ 15,010,711 | \$ 1,103,591 | 7.4% |
| Capital assets | 10,688,982 | 9,855,542 | 833,440 | 8.5% |
| Total assets | <u>26,803,284</u> | <u>24,866,253</u> | <u>1,937,031</u> | 7.8% |
| Other liabilities | 582,480 | 285,955 | 296,525 | 103.7% |
| Due to other governmental units | 8,299 | 19,263 | (10,964) | -56.9% |
| Long-term liabilities | 195,505 | 205,747 | (10,242) | -5.0% |
| Total liabilities | <u>786,284</u> | <u>510,965</u> | <u>275,319</u> | 53.9% |
| Net position: | | | | |
| Net investment in capital assets | 10,688,982 | 9,855,542 | 833,440 | 8.5% |
| Unrestricted | 15,328,018 | 14,499,746 | 828,272 | 5.7% |
| Total net position | <u>\$ 26,017,000</u> | <u>\$ 24,355,288</u> | <u>\$ 1,661,712</u> | 6.8% |

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Approximately 41.08% of the Association's net position as of June 30, 2022, reflects the Association's net investment in capital assets (land, buildings, office furniture and machinery and equipment less accumulated depreciation). The Association uses these capital assets to provide services to the individuals with intellectual and other developmental disabilities; consequently, these assets are not available for future spending. The remaining 58.92% of net position, referred to as unrestricted, may be used to meet the ongoing obligations of the Association.

The following table provides a summary of the changes in net position for the year ended June 30, 2022, with comparative figures for the year ended June 30, 2021:

| | <u>Condensed Statement of Activities</u> | | <u>Dollar Change</u> | <u>Total Percent Change</u> |
|---|---|----------------------|--------------------------|-------------------------------------|
| | <u>For the year ended June 30, 2022</u> | <u>2021</u> | | |
| Revenues: | | | | |
| Intergovernmental | \$ 5,493,093 | \$ 5,326,861 | \$ 166,232 | 3.1% |
| Paycheck Protection Program loan forgiveness | - | 1,216,500 | (1,216,500) | 100.0% |
| Charges for services | 4,827,092 | 4,333,303 | 493,789 | 11.4% |
| Grants | 15,730 | 6,000 | 9,730 | 162.2% |
| Impairment gain | 402,759 | - | 402,759 | 100.0% |
| Insurance proceeds | 217,590 | - | 217,590 | 100.0% |
| Miscellaneous | 190,628 | 211,792 | (21,164) | -10.0% |
| Total revenues | <u>11,146,892</u> | <u>11,094,456</u> | <u>52,436</u> | <u>0.5%</u> |
| Expenses: | | | | |
| Health and welfare | <u>9,485,180</u> | <u>9,112,526</u> | <u>372,654</u> | <u>4.1%</u> |
| Change in net position | 1,661,712 | 1,981,930 | (320,218) | -16.2% |
| Beginning net position | <u>24,355,288</u> | <u>22,373,358</u> | <u>1,981,930</u> | <u>8.9%</u> |
| Ending net position | <u>\$ 26,017,000</u> | <u>\$ 24,355,288</u> | <u>\$ 1,661,712</u> | <u>6.8%</u> |

The Association's net position increased by \$1,661,712 during the current year, due to increases in services provided, insurance proceeds and impairment gains from damages incurred as a result of Hurricane Ida and drawdowns received from the Terrebonne Parish Consolidated Government from the proceeds of a parish-wide ad valorem tax dedicated for the habilitation and welfare services of individuals with intellectual and other developmental disabilities.

FINANCIAL ANALYSIS OF THE ASSOCIATION'S FUND

Revenues for the Association's General Fund for the year ended June 30, 2022 were approximately \$10.5 million. There are four funding categories: intergovernmental (52.18%), charges for services (45.86%), grants (0.15%) and miscellaneous (1.81%). The largest single funding source is local funding from the Terrebonne Parish Consolidated Government, as described above, (intergovernmental category) at 50.36% of total revenues. Medicaid Waiver funds at 13.51%, Title XIX funds at 9.86%, and community work contracts at 19.64% are included in the charges for services category. Increases in intergovernmental revenues were a result of an increase in the amount received from Terrebonne Parish Consolidated Government and the Louisiana Department of Transportation. Increases in charges for services revenue were a result of increases in services provided. Grant revenue consists of grants received for a salsa kettle and funds received through a subrecipient agreement with Terrebonne Parish Consolidated Government for funding through the American Rescue Plan: Coronavirus State and Local Fiscal Recovery Funds. The Association's miscellaneous revenues decreased due to insurance reimbursements received for vehicle accidents in the prior year.

General Fund expenditures were approximately \$10.5 million for the year ended June 30, 2022. The General Fund expenditures are comprised of capital outlay and five categories of expenditures classified as current expenditures. Since the Association is a provider of human services, the personal services category is the largest expense category at 62.8%. The other categories are supplies and materials at 6.3%, other services and charges at 11.8%, and repairs and maintenance at 3.4%. Capital outlay, which exhibits the most variance from year to year, represented 15.7% of total expenditures for the year ended June 30, 2022.

There was a decrease in personal services costs this year due to salary cost decreases because of staff turnover. An increase in supplies and materials due to an increase in the cost of fuel, additional miles driven as individuals returned to the Association's day programs and increase in food and kitchen supply costs directly related to the increase in sales at the Bayou Country Café. Other services and charges increased due to increases in insurance rates, utilities, dues and information technology services; expenses related to increased sales and costs related to the operating of vocational programs; and costs associated with CARF accreditation. Repairs and maintenance increased due to damages caused by Hurricane Ida and costs associated with opening a retail beads store. Capital outlay decreased due to the costs associated with the construction of a new restaurant in the prior year.

The Association received \$768,251 in insurance proceeds as a result of damages caused by Hurricane Ida for the year ended June 30, 2022.

The Association's financial position has improved over the past several years with an increase this year due to an excess of revenue over expenditures of \$818,030. Factors, which will affect the Association's results of future operations follow. The Association constantly faces the possibility of funding cuts from state and federal funding sources. As in past years, the Medicaid funding challenge at the state and federal levels will continue to threaten the reimbursement rate for programs providing Medicaid Waiver services. Since the Association will now have to evacuate when tropical storms threaten the area, evacuation costs could increase significantly. On August 29, 2021, Hurricane Ida severely impacted the Association. The total financial effect of these factors, if any, will not be known until the end of next fiscal year.

FINANCIAL ANALYSIS OF THE ASSOCIATION'S FUND (Continued)

Departmental Analysis

General Operating Department

General Operating Department revenue decreased due to loan forgiveness under the Paycheck Protection Program received in the prior year. Personal services costs decreased due to staff turnover as a result of the COVID-19 pandemic and Hurricane Ida. Supplies and materials costs increased due to an increase in the cost of fuel and additional miles driven as individuals returned to the Association's day programs. Other services and charges increased due to increases in dues, information technology services and costs associated with CARF accreditation. Repairs and maintenance increased due to damages caused by Hurricane Ida. Capital outlay costs increased due to the purchase of two residential homes to be rented by individuals in the Association's Supervised Independent Living program and the replacement of roofs and gutters on several buildings due to damages caused by Hurricane Ida.

Besides the administration of all programs our General Operating Department includes transportation to and from work for adult individuals served throughout Terrebonne Parish. The Association's specialized services include family support, advocacy and nursing. Family support services assist families and individuals in coping with simple to highly complex problems. Services are provided by a licensed professional counselor and include individual and family counseling, behavior training, psychological counseling, vocational counseling, vocation assessments, anger management, social counseling and resource referral. The advocacy services offer family assistance in obtaining services and networking with needed support services. The Association's nursing staff consists of a Registered Nurse (RN) and a Licensed Practical Nurse (LPN) who administer daily medications and handle emergency medical situations.

Adult Workshop Department

The Association's Adult Workshop Department revenues increased this year due to an increase in services provided to individuals and the community through the Association's vocational programs. Expenditures for personal services increased as a result of additional staffing needed to provide services for programs expanding and reopening after closures in the prior year due to the COVID-19 pandemic. Supplies and materials increased due to increases in food and kitchen supply costs directly related to the increase in sales at the Bayou Country Café. Other services and charges increased due to increases in insurance premiums, utilities and expenses related to increased sales and costs related to the operating of vocational programs. Repairs and maintenance increased due to damages caused by Hurricane Ida and costs associated with opening a retail beads store. Capital outlay expenses decreased due to the construction costs for a new restaurant in the prior year. Day habilitation services are provided through this department where individuals served training and hands-on work experience in manufacturing and providing services for the community. Sheltered workshop employment consists of prevocational habilitation and day habilitation for severe and profound individuals by training our individuals served to provide services and to work in a variety of different settings such as: arts and crafts, salsa and pepper jelly

FINANCIAL ANALYSIS OF THE ASSOCIATION'S FUND (Continued)

Departmental Analysis (Continued)

Adult Workshop Department (Continued)

production, Mardi Gras beads, candy, screen printing, bakery, thrift store and restaurant. The Association's mobile crews are trained to provide janitorial and lawn maintenance services to businesses in the community. In the Supported Employment Program, our individuals served are trained and placed in a job in the community. With the Association's continued training and support, these individuals are able to work in normal work settings.

Residential Departments

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

Respite/Personal Care Attendant (PCA) Department

The Association's Respite/PCA department provides care of individuals to aid the primary care giver. Revenue and expenses decreased this year due to staff turnover and the closure of the respite program in March 2020 because of the COVID-19 pandemic.

Supervised Independent Living (SIL) Department

Supervised Independent Living provides assistance to individuals served with daily living. Revenue in the program decreased due to a decrease in the number of individuals served. Expenses in the program increased primarily due to increased salaries and benefit costs and evacuation costs related to the evacuation of individuals in this program for Hurricane Ida.

Dixie Community Home Department

Dixie Community Home revenues decreased due to a decrease in the number of individuals served. Expenses decreased due to a decrease in salaries and benefits costs since individuals were able to attend vocational programs as concerns related to COVID-19 exposures decreased.

FINANCIAL ANALYSIS OF THE ASSOCIATION'S FUND (Continued)

Departmental Analysis (Continued)

Wellington Community Home Department

Wellington Community Home revenues increased due to an increase in the number of individuals serviced and an increase in reimbursement rates. Expenses increased as a result of an increase in the number of individuals served and increases in the costs of fuel and utilities. Capital outlay expenses increased due to the replacement of the home's air conditioning unit, several appliances and fencing.

Lillian Marie Community Home Department

Lillian Marie Community Home revenues decreased due to a decrease in the number of individuals served. Expenses increased as an increase in salary, employee benefits, food and repair costs. Capital outlay expenses increased due to the painting of the home's interior, repairs to the main water line, the replacement of several appliances and the replacement of the home's roof and fencing due to damages caused by Hurricane Ida.

BUDGETARY HIGHLIGHTS

Budget adjustments are made mid-year to account for any significant deviation from beginning year projections. Only if there is a substantial budget deviation will the annual budget be adjusted in the second half of the year. During the current year, the budget was amended to reflect an increase in funding received from the Louisiana Department of Transportation, an increase in services provided to individuals served and the community, unanticipated grants and donations, insurance reimbursements received, a decrease in funding from Terrebonne Parish Consolidated Government, and a decrease in investment earnings. The budget amendment reflects a decrease in personal services due to individuals served, salaries and worker's compensation insurance being less than anticipated due to decreased attendance related to COVID-19. The budget amendment reflects an increase in supplies and materials due to increases in food and kitchen supplies directly related to an increase in sales at the Bayou Country Café. The budget was also amended to reflect a decrease in other services and charges due to insurance and utility costs being less than anticipated. The budget amendment reflects an increase in repairs and maintenance due to damages caused by Hurricane Ida. Capital outlay costs were increased for the purchase of a residential home to be rented by individuals in the Association's Supervised Independent Living Program, the replacement of roofs and gutters on several buildings due to damages caused by Hurricane Ida, and the anticipated purchase of a building for the relocation of the thrift processing center. All other adjustments were made to prevent significant unfavorable variances in budgeted revenues and expenditures. The total difference of the change in fund balance between the original budget and the amended budget was a change of \$969,557 from a deficit of \$3,803,653 to a deficit

BUDGETARY HIGHLIGHTS (Continued)

of \$4,773,210. This change was the result of an increase in revenues of \$379,046 and a net increase in expenditures of \$2,117,246. There was a 7.0% favorable budget variance in revenues principally due to unanticipated increases in reimbursement rates for several funding sources, dividends received from the Louisiana Workers' Compensation Corporation and an increase in interest rates. Expenditures were less than budget by 31.9% since salaries are budgeted as being fully staffed when several positions were vacant for part of the year. Expenditures were also less than anticipated as a result of some programs still not returning to levels reached before the COVID-19 pandemic. Several planned projects were not completed due to Hurricane Ida. Many repairs needed as a result of Hurricane Ida were not completed by the end of the year. Various items budgeted as possible needs were not needed during the fiscal year. Consequently, the result of operations, which was projected as a deficit of approximately \$5.5 million, resulted in a surplus of \$49,779.

CAPITAL ASSET ADMINISTRATION

The Association's net investment in capital assets as of June 30, 2022 totaled \$10,688,982 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, office furniture, machinery and equipment as shown in the following table. This amount represents a net increase of \$833,440, or approximately 8.5%, due to capital additions exceeding depreciation and deletions.

| | <u>Capital Assets</u> | | Dollar | Total |
|--|-------------------------------------|---------------------|-------------------|---------------|
| | <u>(Net of depreciation)</u> | | | |
| | <u>June 30,</u> | <u>2021</u> | | <u>Change</u> |
| | <u>2022</u> | | <u>Change</u> | <u>Change</u> |
| Land | \$ 478,615 | \$ 478,615 | \$ - | 0.0% |
| Construction in progress | 226,840 | 94,001 | 132,839 | 141.3% |
| Buildings | 8,788,579 | 7,995,280 | 793,299 | 9.9% |
| Office furniture, equipment, and fixtures | 549,700 | 531,309 | 18,391 | 3.5% |
| Machinery and equipment | 645,248 | 756,337 | (111,089) | -14.7% |
| Totals | <u>\$ 10,688,982</u> | <u>\$ 9,855,542</u> | <u>\$ 833,440</u> | <u>8.5%</u> |

CAPITAL ASSET ADMINISTRATION (Continued)

This year's capital improvements included the following:

| | |
|--|-----------|
| Completion of Beads retail store renovations | \$415,640 |
| Construction-in-progress administration roof | \$222,966 |
| Purchase of residential homes | \$289,986 |
| Building/land improvements | \$545,926 |
| Vehicles | \$50,008 |
| Computers/office equipment | \$48,646 |
| Machinery and equipment | \$74,416 |

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

| | |
|--|-----------|
| Hurricane Ida impairments | \$137,212 |
| Disposal of buildings | \$118,795 |
| Disposal of furniture | \$4,907 |
| Disposal of vehicles | \$101,218 |
| Disposal of old improvements | \$180,961 |
| Disposal of computers/office equipment | \$31,793 |
| Disposal of machinery and equipment | \$31,034 |

The Association's fiscal year 2023 capital budget includes \$993,054 for capital expenditures, principally for the purchase of a residential home to be rented by individuals in the Association's Supervised Independent Living program and a grant for a shuttle from the Department of Transportation. Capital expenditures also include the purchase of equipment for expansion in programs or replacement of old equipment; repairs for damages caused by Hurricane Ida; flooring; fencing; and one new vehicle. The Association has no plans to issue debt to finance these projects; rather, the Association will use available resources. More detailed information about the Association's capital assets is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Association's Board of Directors and management considered many factors when setting the fiscal year 2023 budget. These factors include any unusual conditions, one-time expenditures and changes in rates or fees that occurred during the 2023 fiscal year or whose effects are determinable at the time of budget preparations for the 2023 fiscal year. Accordingly, any possible Medicaid funding reductions or increased evacuation expenditures discussed on page 9 have not been incorporated into the budget for 2023.

Revenues and other sources for fiscal year 2023 are projected to be \$9,679,300, \$1,615,494 less than 2022. Budgeted expenditures are expected to rise approximately 35.42% from the year ended June 30, 2022 to \$14,187,711. The most significant increases are in personal services as a result of all positions being budgeted at full time status with pay increases, anticipated increases in insurance premiums and an overall increase in costs as programs return to normal operations. The Association's fund balance is expected to decrease by \$4,508,411.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Association's finances for all those with an interest in the Association's finances. If you have any questions about this report or need additional financial information, contact Terrebonne ARC, Director of Finance, 1 McCord Road, Houma, Louisiana 70363.

STATEMENT OF NET POSITION**Terrebonne ARC**

June 30, 2022

Assets

| | |
|--|-------------------|
| Cash and cash equivalents | \$ 13,142,439 |
| Investments | 2,500,000 |
| Receivables: | |
| Accounts | 19,498 |
| Other | 9,885 |
| Due from other governmental units | 243,252 |
| Inventories | 148,065 |
| Prepaid insurance | 37,817 |
| Deposits | 13,346 |
| Capital assets: | |
| Non-depreciable | 705,455 |
| Depreciable, net of accumulated depreciation | <u>9,983,527</u> |
| Total assets | <u>26,803,284</u> |

Liabilities

| | |
|---|----------------|
| Accounts payable and accrued expenditures | 582,480 |
| Due to other governmental units | 8,299 |
| Long-term liabilities - | |
| Due after one year | <u>195,505</u> |
| Total liabilities | <u>786,284</u> |

Net Position

| | |
|----------------------------------|-----------------------------|
| Net investment in capital assets | 10,688,982 |
| Unrestricted | <u>15,328,018</u> |
| Total net position | <u><u>\$ 26,017,000</u></u> |

See notes to financial statements.

STATEMENT OF ACTIVITIES**Terrebonne ARC**

For the year ended June 30, 2022

| Functions/Programs | Direct Expenses | Indirect Expenses | Program Revenues Charges for Services | Net (Expense) Revenue and Changes in Net Position Total Governmental Activities |
|--|---------------------|----------------------|--|---|
| Governmental Activities | | | | |
| Health, welfare, and social services: | | | | |
| Adult Workshop | \$ 5,113,940 | \$ 1,883,672 | \$ 3,146,088 | \$ (3,851,524) |
| Residential | 1,473,537 | 758,439 | 1,680,952 | (551,024) |
| Administrative | 2,897,703 | (2,642,111) | 52 | (255,540) |
| Total governmental activities | <u>\$ 9,485,180</u> | <u>\$ -</u> | <u>\$ 4,827,092</u> | <u>(4,658,088)</u> |
| General Revenues | | | | |
| Grants and contributions not restricted to specific programs | | | | 5,508,823 |
| Insurance proceeds | | | | 217,590 |
| Impairment gain | | | | 402,759 |
| Miscellaneous | | | | 190,628 |
| Total general revenues | | | | <u>6,319,800</u> |
| Change in net position | | | | 1,661,712 |
| Net Position | | | | |
| Beginning of year | | | | <u>24,355,288</u> |
| Ending of year | | | | <u>\$ 26,017,000</u> |

See notes to financial statements.

GOVERNMENTAL FUND BALANCE SHEET**Terrebonne ARC**

June 30, 2022

Assets

| | |
|-----------------------------------|---------------------------------|
| Cash and cash equivalents | \$ 13,142,439 |
| Investments | 2,500,000 |
| Receivables: | |
| Accounts | 19,498 |
| Other | 9,885 |
| Due from other governmental units | 243,252 |
| Inventories | 148,065 |
| Prepaid insurance | 37,817 |
| Deposits | <u>13,346</u> |
| Total assets | <u><u>\$ 16,114,302</u></u> |

Liabilities

| | |
|---|---------------------------|
| Accounts payable and accrued expenditures | \$ 582,480 |
| Due to other governmental units | <u>8,299</u> |
| Total liabilities | <u><u>590,779</u></u> |

Fund Balance

| | |
|--|---------------------------------|
| Nonspendable: | |
| Inventories | 148,065 |
| Prepaid insurance | 37,817 |
| Committed: | |
| Dedicated emergencies and contingency fund | 7,597,328 |
| Assigned: | |
| Subsequent years' expenditures: | |
| Next year's budget deficit | 4,508,411 |
| Donations - designated expenditures | 342,844 |
| Unassigned | <u>2,889,058</u> |
| Total fund balance | <u><u>15,523,523</u></u> |
| Total liabilities and fund balance | <u><u>\$ 16,114,302</u></u> |

See notes to financial statements.

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

Terrebonne ARC

June 30, 2022

| | |
|--|------------------------------------|
| Fund Balances - Governmental Fund | \$ 15,523,523 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | |
| <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.</p> | |
| Governmental capital assets | \$ 17,903,742 |
| Less accumulated depreciation | <u>(7,214,760)</u> |
| | 10,688,982 |
| <p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.</p> | |
| Compensated absences payable | <u>(195,505)</u> |
| Net Position of Governmental Activities | <u><u>\$ 26,017,000</u></u> |

See notes to financial statements.

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

Terrebonne ARC

For the year ended June 30, 2022

Revenues

| | |
|---|--------------|
| Intergovernmental: | |
| Terrebonne Parish Consolidated Government | \$ 5,300,743 |
| State of Louisiana: | |
| Department of Transportation | 188,570 |
| Other | 3,780 |
| Charges for services | 4,827,092 |
| Grants | 15,730 |
| Miscellaneous | 190,628 |
| | <hr/> |
| Total revenues | 10,526,543 |

Expenditures

| | |
|----------------------------|------------|
| Health and welfare: | |
| Current: | |
| Personal services | 6,576,838 |
| Supplies and materials | 663,439 |
| Other services and charges | 1,238,152 |
| Repairs and maintenance | 350,747 |
| Capital outlay | 1,647,588 |
| | <hr/> |
| Total expenditures | 10,476,764 |

| | |
|--------------------------------------|--------|
| Excess of revenues over expenditures | 49,779 |
|--------------------------------------|--------|

Other Financing Sources

| | |
|--------------------|---------|
| Insurance proceeds | 768,251 |
| | <hr/> |

| | |
|-----------------------------------|---------|
| Net Change in Fund Balance | 818,030 |
|-----------------------------------|---------|

Fund Balance

| | |
|-------------------|---------------|
| Beginning of year | 14,705,493 |
| | <hr/> |
| End of year | \$ 15,523,523 |
| | <hr/> <hr/> |

See notes to financial statements.

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

Terrebonne ARC

For the year ended June 30, 2022

Net Change in Fund Balance - Governmental Fund \$ 818,030

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

Governmental funds report capital outlays as expenditures.

However, in the Statement of Activities the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

| | |
|----------------------|------------------|
| Capital outlay | \$ 1,647,588 |
| Depreciation expense | <u>(654,937)</u> |

| | |
|---|---------|
| Excess of capital outlay over depreciation expense | 992,651 |
|---|---------|

| | |
|---|-----------|
| The net effect of various miscellaneous transactions involving capital assets, such as sales, trade-ins and donations, is to decrease net assets. | (159,211) |
|---|-----------|

Some expenses reported in the Statement of Activities do not
require the use of current financial resources and, therefore,
are not reported as expenditures in governmental fund.

| | |
|--|---------------|
| Decrease in compensated absences payable | <u>10,242</u> |
|--|---------------|

| | |
|--|----------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ 1,661,712</u></u> |
|--|----------------------------|

See notes to financial statements.

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

Terrebonne ARC

For the year ended June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Terrebonne Parish Consolidated Government | \$ 5,400,000 | \$ 5,300,000 | \$ 5,300,743 | \$ 743 |
| State of Louisiana: | | | | |
| Department of Transportation | 38,000 | 188,570 | 188,570 | - |
| Other | 4,700 | 3,600 | 3,780 | 180 |
| Charges for services | 3,944,525 | 4,236,523 | 4,827,092 | 590,569 |
| Grants | - | 10,730 | 15,730 | 5,000 |
| Miscellaneous | 69,900 | 96,748 | 190,628 | 93,880 |
| | <u>9,457,125</u> | <u>9,836,171</u> | <u>10,526,543</u> | <u>690,372</u> |
| Expenditures | | | | |
| Health and welfare: | | | | |
| Current: | | | | |
| Personal services | 9,570,648 | 9,514,448 | 6,576,838 | 2,937,610 |
| Supplies and materials | 513,921 | 728,451 | 663,439 | 65,012 |
| Other services and charges | 1,565,940 | 1,459,396 | 1,238,152 | 221,244 |
| Repairs and maintenance | 414,524 | 666,010 | 350,747 | 315,263 |
| Capital outlay | 1,195,745 | 3,009,719 | 1,647,588 | 1,362,131 |
| | <u>13,260,778</u> | <u>15,378,024</u> | <u>10,476,764</u> | <u>4,901,260</u> |
| Excess of revenues over expenditures (expenditures over revenues) | (3,803,653) | (5,541,853) | 49,779 | 5,591,632 |
| Other Financing Sources | | | | |
| Insurance proceeds | - | 768,643 | 768,251 | (392) |
| Net Change in Fund Balance | (3,803,653) | (4,773,210) | 818,030 | 5,591,240 |
| Fund Balance | | | | |
| Beginning of year | <u>14,705,493</u> | <u>14,705,493</u> | <u>14,705,493</u> | <u>-</u> |
| End of year | <u>\$ 10,901,840</u> | <u>\$ 9,932,283</u> | <u>\$ 15,523,523</u> | <u>\$ 5,591,240</u> |

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Terrebonne ARC**

June 30, 2022

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Reporting Entity

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

The Association is fiscally dependent upon the Terrebonne Parish Consolidated Government (the “Parish”) for a significant amount of its intergovernmental revenue, accordingly the Association is a component unit of the Parish and as such, these component unit financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ending December 31, 2022.

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity (Continued)

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

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

b) Basis of Presentation

Government-Wide Financial Statements

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

Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

Fund Financial Statements

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

The following is the governmental fund of the Association:

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Financial Statements

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

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government’s availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. The Association’s definition of available means expected to be received within sixty days of the end of the fiscal year. The Association’s intergovernmental fundings are described in Note 3. Charges for services are recorded when earned since they are measurable and available. Miscellaneous revenues are recorded as revenues when received in cash by the Association because they are generally not measurable until received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is accumulated unpaid vacation and sick pay which is recognized when paid. Allocations of cost such as depreciation are not recognized in the governmental funds.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Use of Estimates

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

e) Operating Budgetary Data

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

f) Cash, Cash Equivalents, and Investments

Cash includes amounts in regular and money market accounts.

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

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

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

g) Accounts Receivable

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Inventories

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

i) Capital Assets

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

Government-Wide Financial Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Capital assets with an estimated historical cost totaled \$536,645, or 3.00% of the total cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

Fund Financial Statements

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Long-Term Obligations

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

k) Vacation and Sick Leave

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

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

| <u>Years of Service</u> | <u>Paid Vacation Allowance</u> |
|-------------------------|--|
| Less than 1 year | None |
| 1 year to 3 years | 5 days |
| 4 years to 9 years | 10 days |
| 10 years and above | 15 days |

The Association's policy regarding vacation time for employees hired prior to November 12, 2019, grants 20 days of paid vacation time to regular, full-time employees who work at least 240 days per year and have 20 or more years of service.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Vacation and Sick Leave (Continued)

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

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

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

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

l) Allocation of Expenditures

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

m) Income Taxes

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

The Association's policies provide for financial statement recognition, measurement, and disclosures of uncertain tax positions recognized in the Association's financial statements. It requires the Association to recognize the financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. Tax years ended June 30, 2019 and later remain subject to examination by the taxing authorities. As of June 30, 2022, management of the Association believes that it has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Fund Equity

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets, if any. As of June 30, 2022, the Association had no outstanding borrowings.
- b. Restricted net position - Consists of assets less liabilities (net position) with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

Fund Financial Statements

Governmental fund balances are classified as follows:

- a. Non-spendable - Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - Amounts for which constraints have been placed on the use by externally imposed donors, grantors, creditors or government laws and regulations, or imposed by law through constitutional provisions or enabling legislation.
- c. Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Association’s Board of Directors.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Fund Equity (Continued)

Fund Financial Statements (Continued)

Governmental fund balances are classified as follows: (Continued)

- d. Assigned - Amounts that are constrained by the Association's intent to be used for a specific purpose but do not meet the criteria for restricted or committed. Assigned amounts may be established, modified or removed by majority vote of the Board of Directors or by the Chief Financial Officer under the authorization of the Executive Director.
- e. Unassigned - All other spendable amounts.

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

The Association's fund balance was classified as non-spendable, committed, assigned and unassigned as of June 30, 2022.

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

o) New GASB Statements

During the year ending June 30, 2022, the Association implemented the following GASB Statements:

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-so-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This statement did not affect the Association's financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (Continued)

Statement No. 89, “*Accounting for Interest Cost Incurred before the End of a Construction Period*” establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*”, which are superseded by this statement. This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business type activity or enterprise fund. This statement did not affect the Association’s financial statements.

Statement No. 91, “*Conduit Debt Obligations*” provides a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This statement did not affect the Association’s financial statements.

Statement No. 92, “*Omnibus 2020*” establishes accounting and financial reporting requirements for specific issues related to leases, intra-entity transfers of assets, postemployment benefits, government acquisitions, risk financing and insurance related activities of public entity risk pools, fair value measurements, and derivative instruments. This statement did not affect the Association’s financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (Continued)

Statement No. 93, “*Replacement of Interbank Offered Rates*” some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. This statement will preserve the consistency and comparability of reporting hedging derivative instruments and leases after governments amend or replace agreements to replace an IBOR. This statement did not affect the Association’s financial statements.

Statement No. 97, “*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*” provides objectives to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. This statement did not affect the Association’s financial statements.

Statement No. 98, “*The Annual Comprehensive Financial Report*” establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement was developed in response to concerns raised by stakeholders that the common pronunciation of the acronym sounds like a profoundly objectionable racial slur. This statement did not affect the Association’s financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (Continued)

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

Statement No. 94, “*Public-Private and Public-Public Partnerships and Availability Payment Arrangements*” improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The requirements of this statement are effective for the years beginning after June 15, 2022. Management has not yet determined the effect of this statement on the financial statements.

Statement No. 96, “*Subscription-Based Information Technology Arrangements*” provides guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITA) for government end users. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87 “*Leases*”, as amended. Under this statement a government should recognize a right to use subscription asset and a corresponding subscription liability at the commencement of the subscription term. The subscription liability should be measured at the present value of subscription payments. Future subscription payments should be discounted using the interest rate the vendor charges the government or the government’s incremental borrowing rate. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example interest expense) in future financial reporting periods. Activities associated with SBITAs, other than subscription payments, should be grouped into three stages and costs meeting specific capitalization criteria, including costs necessary to place the subscription asset in service, should be capitalized in the

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) New GASB Statements (Continued)

subscription asset, otherwise, costs should be expensed as incurred. This statement provides an exception for short-term SBITAs of 12 months or less, including options to extend. Subscription payments for short-term SBITAs should be expensed as incurred. This statement requires disclosure of descriptive information about SBITAs other than short-term SBITAs. The requirements of this statement are effective for years beginning after June 15, 2022. Management has not as yet determined the effect of the statement on the financial statements.

Statement No. 99, “*Omnibus 2022*” provides objectives to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial report for financial guarantees. The requirements of this statement apply to all financial statements at dates varying from upon issuance to fiscal periods beginning after June 15, 2023. Management has yet to determine the effect of this statement on the financial statements.

Statement No. 100, “*Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*” provides guidance to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet to determine the effect of this statement on the financial statements.

Statement No. 101, “*Compensated Absences*” provides guidance to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet to determine the effect of this statement on the financial statements.

Note 2 - DEPOSITS AND INVESTMENTS

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

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

Bank Deposits

The balances of deposits as of June 30, 2022 are as follows:

| | Bank Balance | Reported Amount |
|-------------------------|-----------------|--------------------|
| Cash | \$ 2,932,170 | \$ 2,909,400 |
| Certificates of Deposit | 2,500,000 | 2,500,000 |
| Totals | \$ 5,432,170 | \$ 5,409,400 |

Custodial credit risk is the risk that in the event of a bank failure, the Association's deposits may not be returned to it. The Association has a written policy for custodial credit risk. As of June 30, 2022, approximately \$4,682,000 of the Association's bank balances of \$5,432,000 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent and are deemed to be held in the Association's name by state statutes.

As of June 30, 2022, cash and certificates of deposits were adequately collateralized in accordance with state law by securities held by unaffiliated banks for the account of the Association. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments

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

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

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

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

LAMP, a local government investment pool, is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investment policies are similar to those established by Rule 2a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed or backed by the U.S. Treasury, the U.S. Government or one of its agencies, enterprises or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of

Note 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

no securities with a maturity in excess of 397 days. The fair value of investments is determined on a weekly basis to monitor any variances between amortized cost and fair value. For purposes of determining participants' shares, investments are valued at amortized cost. The fair value of participant's position is the same as the value of the pool shares. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Investments in LAMP as of June 30, 2022 amounted to \$10,228,839 and are included on the Statement of Net Position as "cash equivalents".

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

| | |
|--------------------------------|----------------------|
| Cash on hand | \$ 4,200 |
| Reported amount of deposits | 5,409,400 |
| Reported amount of investments | <u>10,228,839</u> |
| Total | <u>\$ 15,642,439</u> |
| | |
| Cash and cash equivalents | \$ 13,142,439 |
| Investments | <u>2,500,000</u> |
| Total | <u>\$ 15,642,439</u> |

Note 3 - FUNDING POLICIES

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

Note 3 - FUNDING POLICIES (Continued)

The Association receives contributions from the Parish. Monies from the Parish are from a 5.21 mill parish-wide ad valorem tax for the purpose of operating, maintaining and constructing facilities for the people with intellectual and other developmental disabilities. Funding from the Parish is included in intergovernmental revenue and amounted to \$5,300,743, net of \$49,268 withheld by the Parish for administrative expenses, during the year ended June 30, 2022. The Association receives its funding from the Parish subject to the terms of a contract which requires the Association to follow certain state laws generally limited to local governments. The contract term is for as long as the Parish collects the ad valorem tax, which is currently through 2027.

Note 4 - DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units as of June 30, 2022 consisted of the following:

| | |
|-------------------------------|------------------|
| State of Louisiana - | |
| Department of Health: | |
| Office of Family Security: | |
| Title XIX - Per Diem | \$ 35,166 |
| Office for Citizens with | |
| Developmental Disabilities: | |
| Adult Workshop | 164,611 |
| Supervised Independent Living | 4,200 |
| Respite | <u>39,275</u> |
| Total | <u>\$243,252</u> |

Note 5 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2022 follows:

| | Balance July 1, 2021 | Additions | Deletions | Balance June 30, 2022 |
|---|----------------------------|--------------------|--------------------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 478,615 | \$ - | \$ - | \$ 478,615 |
| Construction in progress | 94,001 | 642,480 | (509,641) | 226,840 |
| Total capital assets not being depreciated | <u>572,616</u> | <u>642,480</u> | <u>(509,641)</u> | <u>705,455</u> |
| Capital assets being depreciated: | | | | |
| Buildings | 12,706,836 | 1,341,679 | (436,968) | 13,611,547 |
| Office furniture, equipment, and fixtures | 1,516,873 | 123,062 | (67,734) | 1,572,201 |
| Machinery and equipment | 2,065,749 | 50,008 | (101,218) | 2,014,539 |
| Total capital assets being depreciated | <u>16,289,458</u> | <u>1,514,749</u> | <u>(605,920)</u> | <u>17,198,287</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | (4,711,556) | (400,354) | 288,942 | (4,822,968) |
| Office furniture, equipment, and fixtures | (985,564) | (97,492) | 60,555 | (1,022,501) |
| Machinery and equipment | (1,309,412) | (157,091) | 97,212 | (1,369,291) |
| Total accumulated depreciation | <u>(7,006,532)</u> | <u>(654,937)</u> | <u>446,709</u> | <u>(7,214,760)</u> |
| Total capital assets being depreciated, net | <u>9,282,926</u> | <u>859,812</u> | <u>(159,211)</u> | <u>9,983,527</u> |
| Total capital assets, net | <u>\$9,855,542</u> | <u>\$1,502,292</u> | <u>\$(668,852)</u> | <u>\$10,688,982</u> |

Depreciation expense for the year ended June 30, 2022 was charged to the following governmental activities:

| <u>Governmental Activity</u> | |
|----------------------------------|-------------------|
| Administrative | \$ 172,485 |
| Adult Workshop | 409,982 |
| Residential | <u>72,470</u> |
| Total | <u>\$ 654,937</u> |

Note 5 - CHANGES IN CAPITAL ASSETS (Continued)

Hurricane Impairments and Insurance Proceeds

On August 29, 2021, Hurricane Ida severely impacted the Association. Numerous capital assets were heavily damaged and are still being repaired or replaced. The ultimate financial effect of the hurricane has yet to be determined. In accordance with GASB Statement No. 42, “Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries”, the Association has reviewed the various capital assets (a) to determine potential impairments from Hurricane Ida through inspection of physical damage and (b) to test for impairment to determine if the magnitude of the decline in service utility is significant and whether the decline in service utility is not part of the normal life cycle of the capital asset. For those components that are impaired, a portion of historical cost of the asset and associated accumulated depreciation, will be written off using the Restoration Cost Approach which states that the amount of impairment is derived from the estimated costs to restore the utility of the capital asset.

During the year ended June 30, 2022, the Association realized insurance recoveries which are reported net of write offs. The following table identifies insurance proceeds related to impaired assets.

| <u>Capital Assets</u> | <u>Insurance Proceeds</u> | <u>Costs of Assets</u> | <u>Accumulated Depreciation Assets</u> | <u>Book Value Assets</u> | <u>Impairment Gains (Losses)</u> |
|------------------------|---------------------------|------------------------|--|--------------------------|----------------------------------|
| Buildings | \$ 154,081 | \$ 249,857 | \$(167,700) | \$ 82,157 | \$ 71,924 |
| Buildings improvements | 384,685 | 176,230 | (111,769) | 64,461 | 320,224 |
| Contents | 11,895 | 6,581 | (5,297) | 1,284 | 10,611 |
| Totals | <u>\$ 550,661</u> | <u>\$ 432,668</u> | <u>\$(284,766)</u> | <u>\$ 147,902</u> | <u>\$ 402,759</u> |

Note 6 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures as of June 30, 2022 consisted of the following:

| | |
|-----------------------|-------------------|
| Vendors | \$ 383,751 |
| Salaries and benefits | <u>198,729</u> |
| Total | <u>\$ 582,480</u> |

Note 7 - LONG-TERM OBLIGATIONS

The following is a summary of the changes in long-term obligations of the Association for the year ended June 30, 2022:

| | |
|---|-------------------|
| Long-term obligations, July 1, 2021 | \$ 205,747 |
| Net decrease in accumulated unpaid vacation and sick leave | <u>(10,242)</u> |
| Long-term obligations, June 30, 2022 | <u>\$ 195,505</u> |

Note 8 - DUE TO OTHER GOVERNMENTAL UNITS

Due to other governmental units as of June 30, 2022 consisted of the following:

| | |
|---|--------------------------------|
| State of Louisiana - Department of Health: Office of Family Security: Title XIX - Per Diem | <u>\$8,299</u> |
|---|--------------------------------|

Note 9 - RISK MANAGEMENT

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

Note 10 - RETIREMENT PLAN

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

Note 10 - RETIREMENT PLAN (Continued)

Benefit terms, including contribution requirements, for the Plan are established and may be amended by the Association's Board of Directors. Under this plan participating employees are permitted to make elective deferrals of their compensation that is within the limits of Code Sections 403 (b) and 402 (g) from 1% to 20% of compensation. The Association will match a discretionary amount equal to 50% of the amount contributed, not to exceed 8% of employee compensation. For the year ended June 30, 2022, employee contributions totaled \$206,847 and the Association recognized a pension expense of \$95,551.

Employees are fully vested immediately upon participating in the Plan.

Note 11 - COMPENSATION OF BOARD MEMBERS

No compensation was paid to Board Members for the year ended June 30, 2022.

Note 12 - ECONOMIC DEPENDENCY

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

Note 13 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through February 1, 2023, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION SECTION

DEPARTMENTS

Terrebonne ARC

June 30, 2022

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

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

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

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

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

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

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

COMBINING GOVERNMENTAL FUND
BALANCE SHEET - GENERAL FUND DEPARTMENTS

Terrebonne ARC

June 30, 2022

| | Operating | Adult Workshop | Respite/ Personal Care Attendant |
|--|----------------------|-------------------|--|
| Assets | | | |
| Cash and cash equivalents | \$ 13,138,938 | \$ 2,601 | \$ - |
| Investments | 2,500,000 | - | - |
| Receivables: | | | |
| Accounts | 3,700 | 15,798 | - |
| Other | 5,641 | 3,426 | 154 |
| Due from other governmental units | - | 164,611 | 39,275 |
| Due from/(to) other departments | 44,576 | (49,765) | (29,456) |
| Inventories | 8,376 | 139,689 | - |
| Prepaid insurance | 6,777 | 23,700 | 2,413 |
| Deposits | 890 | 11,920 | - |
| | \$ 15,708,898 | \$ 311,980 | \$ 12,386 |
| Liabilities | | | |
| Accounts payable and accrued expenditures | \$ 325,064 | \$ 172,291 | \$ 12,386 |
| Due to other governmental units | - | - | - |
| | 325,064 | 172,291 | 12,386 |
| Fund Balance | | | |
| Nonspendable: | | | |
| Inventories | 8,376 | 139,689 | - |
| Prepaid insurance | 37,817 | - | - |
| Committed: | | | |
| Dedicated emergencies and contingency fund | 7,597,328 | - | - |
| Assigned: | | | |
| Subsequent years' expenditures next year's budgeted deficit | 4,508,411 | - | - |
| Donations | 342,844 | - | - |
| Unassigned | 2,889,058 | - | - |
| | 15,383,834 | 139,689 | - |
| Total fund balance | \$ 15,383,834 | \$ 139,689 | - |
| Total liabilities and fund balance | \$ 15,708,898 | \$ 311,980 | \$ 12,386 |

| Supervised Independent Living | Dixie Community Home | Wellington Community Home | Lillian Marie Community Home | Totals |
|-------------------------------------|----------------------------|---------------------------------|------------------------------------|----------------------|
| \$ - | \$ 300 | \$ 300 | \$ 300 | \$ 13,142,439 |
| - | - | - | - | 2,500,000 |
| - | - | - | - | 19,498 |
| 77 | 77 | 245 | 265 | 9,885 |
| 4,200 | 17,359 | - | 17,807 | 243,252 |
| (808) | (6,656) | 23,846 | 18,263 | - |
| - | - | - | - | 148,065 |
| 379 | 1,938 | 1,272 | 1,338 | 37,817 |
| - | 80 | 141 | 315 | 13,346 |
| <u>\$ 3,848</u> | <u>\$ 13,098</u> | <u>\$ 25,804</u> | <u>\$ 38,288</u> | <u>\$ 16,114,302</u> |
| \$ 3,848 | \$ 13,098 | \$ 17,505 | \$ 38,288 | \$ 582,480 |
| - | - | 8,299 | - | 8,299 |
| <u>3,848</u> | <u>13,098</u> | <u>25,804</u> | <u>38,288</u> | <u>590,779</u> |
| - | - | - | - | 148,065 |
| - | - | - | - | 37,817 |
| - | - | - | - | 7,597,328 |
| - | - | - | - | 4,508,411 |
| - | - | - | - | 342,844 |
| - | - | - | - | 2,889,058 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>15,523,523</u> |
| <u>\$ 3,848</u> | <u>\$ 13,098</u> | <u>\$ 25,804</u> | <u>\$ 38,288</u> | <u>\$ 16,114,302</u> |

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

Terrebonne ARC

For the year ended June 30, 2022

| | Operating | Adult Workshop |
|--|------------------|--------------------|
| Revenues | | |
| Intergovernmental: | | |
| Terrebonne Parish | | |
| Consolidated Government | \$ 5,300,743 | \$ - |
| State of Louisiana: | | |
| Department of Transportation | 188,570 | - |
| Other | 3,780 | - |
| Charges for services | 52 | 3,146,088 |
| Grants | 730 | 15,000 |
| Miscellaneous: | | |
| Interest | 31,964 | - |
| Donations and dues | 21,624 | 17,151 |
| Other | 114,197 | 5,692 |
| | <u>5,661,660</u> | <u>3,183,931</u> |
| Total revenues | | |
| Expenditures | | |
| Health and welfare: | | |
| Current: | | |
| Personal services | 2,091,237 | 3,361,087 |
| Supplies and materials | 97,605 | 504,134 |
| Other services and charges | 326,665 | 717,433 |
| Repairs and maintenance | 195,428 | 128,870 |
| Central administration and services | (2,642,111) | 1,883,672 |
| Capital outlay | 696,848 | 806,923 |
| | <u>765,672</u> | <u>7,402,119</u> |
| Total expenditures | | |
| Excess (deficiency) of revenues over expenditures (carry forward) | <u>4,895,988</u> | <u>(4,218,188)</u> |

| <u>Respite/ Personal Care Attendant</u> | <u>Supervised Independent Living</u> | <u>Dixie Community Home</u> | <u>Wellington Community Home</u> | <u>Lillian Marie Community Home</u> | <u>Totals</u> |
|---|--|-------------------------------------|--|---|-------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ 5,300,743 |
| - | - | - | - | - | 188,570 |
| - | - | - | - | - | 3,780 |
| 402,636 | 57,680 | 459,839 | 364,722 | 396,075 | 4,827,092 |
| - | - | - | - | - | 15,730 |
| - | - | - | - | - | 31,964 |
| - | - | - | - | - | 38,775 |
| - | - | - | - | - | 119,889 |
| <u>402,636</u> | <u>57,680</u> | <u>459,839</u> | <u>364,722</u> | <u>396,075</u> | <u>10,526,543</u> |
| 408,915 | 141,357 | 256,498 | 132,847 | 184,897 | 6,576,838 |
| 23 | 492 | 13,930 | 22,317 | 24,938 | 663,439 |
| 16,114 | 1,119 | 62,823 | 55,174 | 58,824 | 1,238,152 |
| 710 | 8,828 | 5,613 | 5,425 | 5,873 | 350,747 |
| 229,553 | 81,843 | 182,700 | 116,328 | 148,015 | - |
| 2,122 | - | 43,305 | 17,938 | 80,452 | 1,647,588 |
| <u>657,437</u> | <u>233,639</u> | <u>564,869</u> | <u>350,029</u> | <u>502,999</u> | <u>10,476,764</u> |
| <u>(254,801)</u> | <u>(175,959)</u> | <u>(105,030)</u> | <u>14,693</u> | <u>(106,924)</u> | <u>49,779</u> |

| | <u>Operating</u> | <u>Adult Workshop</u> |
|--|-----------------------------|---------------------------|
| Excess (deficiency) of revenues over expenditures (brought forward) | <u>4,895,988</u> | <u>(4,218,188)</u> |
| Other Financing Sources (Uses) | | |
| Insurance proceeds | 194,130 | 509,288 |
| Operating transfers in: | | |
| Operating | - | 3,098,397 |
| Dixie Community Home | - | 208,656 |
| Wellington Community Home | - | 213,567 |
| Lillian Marie Community Home | - | 205,583 |
| Operating transfers out: | | |
| Adult Workshop | (3,098,397) | - |
| Respite/Personal Care Attendant | (251,350) | - |
| Supervised Independent Living | (168,401) | - |
| Dixie Community Home | (276,469) | - |
| Wellington Community Home | (197,238) | - |
| Lillian Marie Community Home | (297,536) | - |
| Total other financing sources (uses) | <u>(4,095,261)</u> | <u>4,235,491</u> |
| Net Change in Fund Balances | 800,727 | 17,303 |
| Fund Balance | | |
| Beginning of year | <u>14,583,107</u> | <u>122,386</u> |
| End of year | <u><u>\$ 15,383,834</u></u> | <u><u>\$ 139,689</u></u> |

**Schedule 2
(Continued)**

| Respite/ Personal Care Attendant | Supervised Independent Living | Dixie Community Home | Wellington Community Home | Lillian Marie Community Home | Totals |
|---|-------------------------------------|----------------------------|---------------------------------|------------------------------------|----------------------|
| <u>(254,801)</u> | <u>(175,959)</u> | <u>(105,030)</u> | <u>14,693</u> | <u>(106,924)</u> | <u>49,779</u> |
| 3,451 | 7,558 | 37,217 | 1,636 | 14,971 | 768,251 |
| 251,350 | 168,401 | 276,469 | 197,238 | 297,536 | 4,289,391 |
| - | - | - | - | - | 208,656 |
| - | - | - | - | - | 213,567 |
| - | - | - | - | - | 205,583 |
| - | - | (208,656) | (213,567) | (205,583) | (3,726,203) |
| - | - | - | - | - | (251,350) |
| - | - | - | - | - | (168,401) |
| - | - | - | - | - | (276,469) |
| - | - | - | - | - | (197,238) |
| - | - | - | - | - | (297,536) |
| <u>254,801</u> | <u>175,959</u> | <u>105,030</u> | <u>(14,693)</u> | <u>106,924</u> | <u>768,251</u> |
| - | - | - | - | - | 818,030 |
| - | - | - | - | - | 14,705,493 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,523,523</u> |

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

Terrebonne ARC

For the year ended June 30, 2022

Agency Head Name: Mary Lynn Bisland, Executive Director

Purpose

| | |
|--|--------------------------|
| Salary | \$ 164,343 |
| Benefits - insurance | 20,330 |
| Benefits - retirement | 6,540 |
| Benefits - other | 648 |
| Car allowance | - |
| Vehicle provided by government | - |
| Per diem | - |
| Reimbursements | - |
| Travel | 65 |
| Membership fees | 200 |
| Registration fees | - |
| Conference travel | - |
| Continuing professional education fees | - |
| Housing | - |
| Unvouchered expenses | - |
| Special meals | - |
| | <hr/> |
| | <u>\$ 192,126</u> |

Note:

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

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Terrebonne ARC (the “Association”), a component unit of the Terrebonne Parish Consolidated Government, as of and for the year ended June 30, 2022, which collectively comprise the Association’s financial statements and have issued our report thereon dated February 1, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

Houma, Louisiana,
February 1, 2023.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Terrebonne ARC

For the year ended June 30, 2022

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit for the year ended June 30, 2021.

No significant deficiencies were reported during the audit for the year ended June 30, 2021.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the year ended June 30, 2021.

Section II - Internal Control and Compliance Material to Federal Awards

The Association did not expend more than \$750,000 in federal awards during the year ended June 30, 2021, and therefore, is exempt from the audit requirements under *Uniform Guidance*.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2021.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne ARC

For the year ended June 30, 2022

Section I - Internal Control Over Financial Reporting and Compliance and Other Matters Material to the Basic Financial Statements

Internal Control Over Financial Reporting

No material weaknesses were reported during the audit for the year ended June 30, 2022.

No significant deficiencies were reported during the audit for the year ended June 30, 2022.

Compliance and Other Matters

No compliance findings material to the financial statements were reported during the audit for the year ended June 30, 2022.

Section II - Internal Control and Compliance Material to Federal Awards

The Association did not expend more than \$750,000 in federal awards during the year ended June 30, 2022, and therefore, is exempt from the audit requirements under *Uniform Guidance*.

Section III - Management Letter

A management letter was not issued in connection with the audit for the year ended June 30, 2022.

STATEWIDE AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT’S REPORT ON
APPLYING AGREED-UPON PROCEDURES

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

We have performed the procedures described in Schedule 4 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor’s (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period July 1, 2021 through June 30, 2022. Terrebonne ARC (the “Association”) management is responsible for those C/C areas identified in the SAUPs.

The Association has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in the LLA’s SAUPs for the fiscal period July 1, 2021 through June 30, 2022. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are described in Schedule 4.

We were engaged by the Association to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on these C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Association and to meet out other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

Houma, Louisiana,
February 1, 2023.

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

Terrebonne ARC

For the year ended June 30, 2022

The required procedures and our findings are as follows:

Procedures Performed on the Association's Written Policies and Procedures:

1. Obtain and inspect the Association's written policies and procedures and observe that they address each of the following categories and subcategories if applicable to public funds and the Association's operations:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.

Performance: Obtained and read the written policy for budgeting and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Performance: Obtained and read the written policy for purchasing and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.
 - c) Disbursements, including processing, reviewing, and approving.

Performance: Obtained and read the written policy for disbursements and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.
 - d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of each type of revenue or the Association fund additions (e.g., periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, the Association fund forfeiture monies confirmation).

Performance: Obtained and read the written policy for receipts and found it to address all the functions listed above.

Exceptions: There were no exceptions noted.

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

- e) Payroll/Personnel, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
Performance: Obtained and read the written policy for payroll and personnel.
Exceptions: The policy for payroll and personnel does not include a provision for the approval process for employee rate of pay or approval and maintenance of pay rate schedules.

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
Performance: Obtained and read the purchasing handbook for contracting.
Exceptions: The policy for contracting does not include a provision for the approval process.

- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
Performance: The Association does not have a separate policy for credit cards. All purchases follow the purchasing policy (Step 1(b)).
Exceptions: The purchasing policy does not include provisions for how cards are controlled, required approvers of statements, and monitoring card usage.

- h) Travel and Expense Reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
Performance: Obtained and read the written policy for travel and expense reimbursement and found it to address all the functions listed above.
Exceptions: There were no exceptions noted.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the Association's ethics policy.
Performance: Obtained and read the written policy for ethics.
Exceptions: The policy for Ethics does not include a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the Association's ethics policy.

- j) Debt Service, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
Performance: Inquired of management regarding the Association's debt service policy. The Association does not have a debt service policy since debt is not utilized for funding operations.
Exceptions: There were no exceptions noted.

Procedures Performed on the Association’s Written Policies and Procedures: (Continued)

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

Performance: Obtained and read the written policy for Information Technology Disaster Recovery/Business Continuity.

Exceptions: The policy does not contain a provision for the periodic testing/verification that backups can be restored.

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

Performance: Obtained and read the written policy for sexual harassment.

Exceptions: The policy does not contain provisions for annual employee training and annual reporting.

Procedures Performed on the Association’s Board:

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

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

Performance: Obtained and read the written minutes of the Board meetings. The meetings that were held every month during the fiscal year had a quorum.

Exceptions: There were no exceptions noted.

- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds.

Performance: Inspected meeting minutes and the included budget-to-actual comparisons for the General Fund presented to the Association’s board.

Exceptions: The September 20, 2021, meeting did not include budget-to-actual comparisons for the General Fund.

Procedures Performed on the Association's Board: (Continued)

- c) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.
- Performance: Obtained the prior year's audit report and observed the unrestricted fund balance in the General Fund. The General Fund did not have a negative ending unrestricted fund balance.
- Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Bank Reconciliations:

3. Obtain a listing of the Association's bank accounts from management and management's representation that the listing is complete. Ask management to identify the main operating account. Select the Association's main operating account and select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain, and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
- Performance: Obtained the listing of bank accounts from management and received management's representation in a separate letter. The Association has 3 bank accounts.
- Exceptions: There were no exceptions noted.
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
- Performance: Obtained monthly bank reconciliation for the month of December for the main operating bank account and the 2 remaining accounts selected. Inspected management's documentation for timely preparation of the bank reconciliations.
- Exceptions: There were no exceptions noted.
- b) Bank reconciliations include evidence that a member of management who does not manage cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
- Performance: Inspected the Association's documentation for the December bank reconciliation for the 3 bank accounts selected.
- Exceptions: There were no exceptions noted.
- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
- Performance: Inspected outstanding check listing for each account for items older than 12 months from the statement closing date, none were noted.
- Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Collections (Excluding Electronic Funds Transfers):

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

Performance: Obtained the listing of deposit sites from management and received management's representation that the listing is complete in a separate letter.

Exceptions: There were no exceptions noted.

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

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

Exceptions: There were no exceptions noted.

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

Performance: Inspected policy manuals, inquired of management and observed that employees do not share cash drawers/registers.

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

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

Performance: Inspected policy manuals, inquired of management and observed employees collecting cash are not responsible for making deposits.

Exceptions: There were no exceptions noted.

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

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

Exceptions: There were no exceptions noted.

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

Performance: Inspected policy manuals, inquired of management and observed employees performing reconciliations do not collect cash.

Exceptions: There were no exceptions noted.

**Procedures Performed on the Association's Collections (Excluding Electronic Funds Transfers):
(Continued)**

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

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

Exceptions: There were no exceptions noted.

7. Randomly select 2 deposit dates for each of the Association's 5 bank accounts selected for procedures #3 under "Procedures Performed on the Association's Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates selected and select a deposit if multiple deposits were made on the same day). Obtain supporting documentation for each of the 10 deposits selected and:

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

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

Exceptions: There were no exceptions noted.

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

Performance: Traced supporting documentation to the deposit slip.

Exceptions: There were no exceptions noted.

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

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

Exceptions: There were no exceptions noted.

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

Performance: Observed that the deposits tested were made within one business day of receipt or within one week if the depository is more than 10 miles from collection location or the deposit is less than \$100.

Exceptions: There were no exceptions noted.

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

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

Exceptions: There was no exception noted.

Procedures Performed on the Association's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases):

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

Performance: Obtained a listing of locations that process payments for the fiscal period from management and received management's representation that the listing is complete in a separate letter. The Association only has one location that processes payments.

Exceptions: There were no exceptions noted.

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

Performance: Obtained a listing of employees involved in non-payroll purchasing and payment functions and reviewed written policies and procedures related to employee job duties. Observed if the job duties were properly segregated.

Exceptions: There were no exceptions noted.

- a) At least 2 employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

Performance: Obtained a listing of employees involved in initiating a purchase request, approving a purchase, and placing an order/making a purchase. Observed at least 2 employees are involved.

Exceptions: There were no exceptions noted.

- b) At least 2 employees are involved in processing and approving payments to vendors.

Performance: Obtained a listing of employees involved in processing and approving payments to vendors. Observed at least 2 employees are involved.

Exceptions: There were no exceptions noted.

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

Performance: Obtained a listing of employees involved in processing payments to vendors. Observed if any employees involved are adding/modifying vendor files.

Exceptions: There were no exceptions noted.

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

Performance: Obtained a listing of employees involved with signing and mailing checks.

Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Non-Payroll Disbursements (Excluding Card Purchases/Payments, Travel Reimbursements, and Petty Cash Purchases): (Continued)

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

Performance: Obtained the Association's non-payroll disbursement transaction population and management's representation that the population is complete in a separate letter.

Exceptions: There were no exceptions noted.

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

Performance: Observed the 5 disbursements matched the related original invoice/ billing statements.

Exceptions: There were no exceptions noted.

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

Performance: Observed the 5 disbursements included evidence of segregation of duties.

Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Credit Cards, Debit Cards, Fuel Cards, P-Cards:

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

Performance: Inquired of management for a listing of all active credit cards, bank debit cards, fuel cards, and P-cards. Also, received management's representation in a separate letter that the listing is complete.

Exceptions: There were no exceptions noted.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period, rotating cards each year. Randomly select one monthly statement or combined statement for each card (for a debit card, select one monthly bank statement), obtain supporting documentation, and:

- a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.

Performance: Observed evidence that the statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Exceptions: There were no exceptions noted.

**Procedures Performed on the Association's Credit Cards, Debit Cards, Fuel Cards, P-Cards:
(Continued)**

- b) Observe that finance charges and/or late fees were not assessed on the selected statements.
Performance: Observed finance charges and/or late fees were not assessed on the selected statements.
Exceptions: There were no exceptions noted.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e., each card should have 10 transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:
 - 1) An original itemized receipt that identifies precisely what was purchased.
Performance: Observed transactions from the monthly statements for original itemized receipts that identifies precisely what was purchased.
Exceptions: There were no exceptions noted.
 - 2) Written documentation of the business/public purpose.
Performance: Observed transactions from the monthly statements for support with written documentation of the business/public purpose.
Exceptions: There were no exceptions noted.
 - 3) Documentation of the individuals participating in meals (for meal charges only).
Performance: Examined meal transactions from the monthly statements for evidence of who participated in the meal (only one charge was for meals).
Exceptions: There were no exceptions noted.

**Procedures Performed on the Association's Travel and Travel-Related Expense Reimbursements
(Excluding Card Transactions):**

- 14. Obtain from management a listing of all travel and related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
Performance: Obtained general ledger for travel and related expense reimbursements and obtained management's representation in a separate letter that the listing is complete.
Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Travel and Travel-Related Expense Reimbursements (Excluding Card Transactions): (Continued)

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
Performance: Inspected travel and expense reimbursements and observed per diem rates were no more than the GSA rates (one used per diem).
Exceptions: There were no exceptions noted.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
Performance: Inspected travel and expense reimbursements to observe that expense using actual costs were supported by an itemized receipt (4 were actual expenses).
Exceptions: There were no exceptions noted.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures #1h).
Performance: Inspected travel and expense reimbursements to observe that expenses included the business purpose.
Exceptions: There were no exceptions noted.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving the reimbursement.
Performance: Inspected travel and expense reimbursements to observe that expenses included the business purpose.
Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Contracts:

- 15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract and:
Performance: Obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period and obtained management's representation in a separate letter that the listing is complete.
Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Contracts: (Continued)

- a) Observe that the contracts were bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
Performance: Obtained bid documentation and observed that the contract that was required to be bid was bid in accordance with Louisiana Public Bid Law.
Exceptions: There were no exceptions noted.

- b) Observe that the contracts were approved by the governing body/Association Council, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).
Performance: Observed that the board minutes contained approval of the contract selected.
Exceptions: There were no exceptions noted.

- c) If the contract was amended (e.g., change order), observe that the original contract terms provided for such an amendment.
Performance: Observed that amendments to the contract selected were in accordance with the original contract terms.
Exceptions: There were no exceptions noted.

- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.
Performance: Obtained supporting documentation for the payments selected and observed that it agreed to the terms and conditions of the contract.
Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Payroll and Personnel:

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, paid salaries, and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.
Performance: Obtained the listing of employees with their related salaries and obtained management's representation in a separate letter that the listing is complete. The hours used in management's termination payment calculations were agreed to cumulative leave records and the pay rates agreed to authorized pay rates in the personnel files.
Exceptions: There were no exceptions noted.

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

Procedures Performed on the Association's Payroll and Personnel: (Continued)

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

Performance: Selected one pay period to test leave taken during that period. Inspected all daily attendance and leave record for proper documentation.

Exceptions: There were no exceptions noted.

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

Performance: Inspected the approval of attendance and leave by the supervisors for the selected employee/officials.

Exceptions: There were no exceptions noted.

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

Performance: Inspected any leave accrued or taken during the pay period was reflected in the cumulative leave records.

Exceptions: There were no exceptions noted.

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

Performance: Inspected the rate paid to the employees agree to the authorized pay rate within the personnel file.

Exceptions: There were no exceptions noted.

18. Obtain from management a list of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select 2 employees/officials, obtain related documentation of the hours, and pay rates used in management's termination payment calculations, and the Association's policy on termination payments. Agree the hours to the employees'/officials' cumulative leave records and agree the pay rates to the employees'/officials' authorized pay rates in the employees'/officials' personnel files and agree the termination payment to the Association's policy.

Performance: Inquired of management of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. The hours used in management's termination payment calculations were agreed to cumulative leave records and the pay rates agreed to authorized pay rates in the personnel files.

Exceptions: There were no exceptions noted.

Procedures Performed on the Association’s Payroll and Personnel: (Continued)

19. Obtain management’s representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers’ compensation premiums have been paid, and associated forms have been filed, by required deadlines.
Performance: Inspected payroll reporting forms to confirm that all payments were submitted to the applicable agencies by the required deadlines.
Exceptions: There were no exceptions noted.

Procedure Performed on the Association’s Ethics:

20. Using the 5 randomly selected employees/officials from procedure #16 under “Procedures Performed on the Association’s Payroll and Personnel”, obtain ethics compliance documentation from management and:
- a) Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
Performance: Inspected personnel files and ethics course completion certificates for the 5 employees tested.
Exceptions: There were no exceptions noted.
- b) Observe whether the Association maintains documentation which demonstrates each employee and official were notified of any changes to the Association’s ethics policy during the fiscal period, as applicable.
Performance: Examined personnel files for signature verification of the employees and officials notified of any changes to the policy.
Exceptions: There were no exceptions noted due to the Association not having changes to the policy.

Procedures Performed on the Association’s Debt Service:

21. Obtain a listing of bonds/notes issued during the fiscal period and management’s representation that the listing is complete. Select all bonds/notes on the listing, obtain supporting documentation, and observe that the State Bond Commission approval was obtained for each bond/note issued.
Performance: Inquired of management regarding a listing of bonds/notes issued during the fiscal period, none were noted.
Exceptions: There is no debt outstanding. Therefore, no exceptions were noted.
22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management’s representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants.
Performance: Inquired of management regarding a listing of bonds/notes outstanding at the end of the fiscal period, none were noted.
Exceptions: There is no debt outstanding. Therefore, no exceptions were noted.

Procedures Performed on the Association’s Fraud Notice:

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

Performance: Inquired of management of any misappropriations of public funds and assets during the fiscal period, none were noted.

Exceptions: There were no exceptions noted.

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

Performance: Inspected the fraud notice posted on the premises and website concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

Exceptions: There were no exceptions noted.

**Procedures Performed on the Association’s Information Technology Disaster Recovery/
Business Continuity:**

25. Perform the following procedures, verbally discuss the results with management, and report “We performed the procedure and discussed the results with management”.

- a) Obtain and inspect the Association’s most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.

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

Exceptions: There were no exceptions noted.

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

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

Exceptions: There were no exceptions noted.

- c) Obtain a listing of the Association’s computers currently in use and their related locations, and management’s representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

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

Exceptions: There were no exceptions noted.

Procedures Performed on the Association's Sexual Harassment:

26. Using the 5 randomly selected employees/officials from procedure #16 under "Procedures Performed on the Association's Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

Performance: Examined sexual harassment training documentation for the 5 employees tested.

Exceptions: There were no exceptions noted.

27. Observe the Association has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the Association's premises if the Association does not have a website).

Performance: Inquired of management regarding the sexual harassment policy and complaint procedure on its website.

Exceptions: The Association does not have its sexual harassment policy and complaint procedure on the website.

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

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

Performance: Inquired of management regarding the Association's annual sexual harassment report for the fiscal period.

Exceptions: Employees completed the training requirements. However, the annual report was not filed during the fiscal period.

- b) Number of sexual harassment complaints received by the Association;

Performance: Inquired of management regarding the Association's annual sexual harassment report for the fiscal period.

Exceptions: There were no sexual harassment complaints noted. However, the annual report was not filed during the fiscal period.

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

Performance: Inquired of management regarding the Association's annual sexual harassment report for the fiscal period.

Exceptions: There were no sexual harassment complaints noted. However, the annual report was not filed during the fiscal period.

Procedures Performed on the Association's Sexual Harassment: (Continued)

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

Performance: Inquired of management regarding the Association's annual sexual harassment report for the fiscal period.

Exceptions: There were no sexual harassment complaints noted. However, the annual report was not filed during the fiscal period.

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

Performance: Inquired of management regarding the Association's annual sexual harassment report for the fiscal period.

Exceptions: There were no sexual harassment complaints noted. However, the annual report was not filed during the fiscal period.

Management's Overall Response to Exceptions:

- 1e) Management will add the required provisions to the payroll and personnel policy.
- 1f) Management will add the required provisions to the contracting policy.
- 1g) Management will consider drafting a credit card policy.
- 1i) Management will add the required provision to the ethics policy.
- 1k) Management will add the required provision to the information technology policy.
- 1l) Management will add the required provisions to the sexual harassment policy.
- 2b) Management will verify the minutes of all meetings include monthly budget-to-actual comparisons.
- 5a) Management will consider providing separate cash registers for each employee.
- 27) Management will consider adding the sexual harassment policy on the website.
- 28a-e) Management will prepare and submit the annual sexual harassment report containing the applicable requirements of R.S. 42:344 on or before the February 1 deadline next year.