

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2017

**HILL, INZINA & COMPANY**

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Certified Public Accountants • A Professional Corporation  
701 East Madison Avenue • Bastrop, Louisiana 71220  
Telephone 318-281-4492 • Fax 318-281-4087 • E-mail [hillinzina@bellsouth.net](mailto:hillinzina@bellsouth.net)

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# HILL, INZINA & COMPANY

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## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Board of Commissioners  
Morehouse Sales and Use Tax Commission  
Bastrop, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order

to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Commission as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Other Matters

#### Required Supplementary Information

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

## Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of compensation, benefits and other payments to agency head is presented for the purpose of additional analysis and is 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. The other supplementary 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, this 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 November 10, 2017, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

/s/ Hill, Inzina & Co.

November 10, 2017

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
As of and for the Year Ended June 30, 2017

As management of Morehouse Sales Tax and Use Tax Commission ( the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2017. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the Commission's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Commission's finances. It is also intended to provide readers with an analysis of the Commission's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Commission. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Commission's financial activity, identify changes in the Commission's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

As with other sections of this financial report, the information contained within this discussion and analysis of management should be considered only a part of the greater whole. The readers of this statement should take time to read and evaluate all sections of this report, including the notes to financial statements and supplementary information are provided in addition to this discussion and analysis of management.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Commission's financial statements. The Commission's basic financial statements consist of the following components:

1. Government-wide financial statements

Government-wide financial statements are designed by GASB Statement No. 34 to provide readers with a concise "entity-wide" statement of net position and statement of activities, seeking to give the users of the financial statements a broad overview of the Commission's financial position and results of operations in a manner similar to a private-sector business.

The statement of net position presents information on all of the Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and liabilities is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or weakening. Evaluation of the overall economic health of the Commission would extend to other nonfinancial factors in addition to the financial information provided in this report.

The statement of activities presents information showing how the Commission's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of this statement is to show the financial reliance of the Commission's distinct activities or functions on revenues provided by the users of its services.

The government-wide financial statements report governmental activities of the Commission that are principally supported by charges for services. Governmental activities include general government only.

## 2. Fund financial statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Commission uses funds to ensure and demonstrate compliance with finance-related laws and regulations. All of the funds of the Commission are governmental funds that are used to account for all of the Commission's basic services and are reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the Commission's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and commitment of spendable resources for the near-term.

## 3. Notes to financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

In addition to the basic financial statements, the Commission also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Analysis

The following provides a summary of the net position of the Commission's governmental activities as of June 30:

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 696,206	\$ 696,558
Capital assets, net of depreciation	<u>32,811</u>	<u>15,718</u>
Total assets	<u>\$ 729,017</u>	<u>\$ 712,276</u>
Deferred outflows of resources	<u>\$ 135,571</u>	<u>\$ 109,464</u>
Other liabilities	\$ 476,763	\$ 462,114
Long-term liabilities	<u>435,055</u>	<u>395,124</u>
Total liabilities	<u>\$ 911,818</u>	<u>\$ 857,238</u>
Deferred inflows of resources	<u>\$ 17,703</u>	<u>\$ 13,831</u>
Net position:		
Invested in capital asset	\$ 32,811	\$ 15,718
Unrestricted (deficit)	<u>( 97,744)</u>	<u>( 65,047)</u>
Total net position (deficit)	<u><u>\$ ( 64,933)</u></u>	<u><u>\$ ( 49,329)</u></u>

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission will use the unrestricted net position, as it becomes available, to meet the ongoing obligations to users of its services and creditors.

By far the largest portion of the Commission's net position as of June 30, 2017 consists of the investment in capital assets (furniture, equipment, and a vehicle). The Commission uses these capital assets to provide services to users of its services; consequently, these assets are not available for future spending.

The following summarizes the Commission's net position changes as of June 30:

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 320,106	\$ 308,920
General revenues:		
Interest and miscellaneous	<u>1,891</u>	<u>7,622</u>
Total revenues	<u>\$ 321,997</u>	<u>\$ 316,542</u>
Expenses:		
Current:		
General government	<u>340,001</u>	<u>344,592</u>
Change in net position	\$( 18,004)	\$( 28,050)
Net position (deficit) - beginning	( 49,329)	( 21,279)
Prior period adjustment	<u>2,400</u>	<u>-</u>
Net position (deficit) - ending	<u>\$( 64,933)</u>	<u>\$( 49,329)</u>

The Commission's program revenues increased by \$5,455 with the total cost of all programs and services decreasing by \$4,591.

Program revenues derive directly from the program itself and as a whole, reduce the cost of the function to be financed from the Commissions' general revenues.

#### Financial Analysis of Governmental Funds

As of June 30, 2017, the Commission's governmental fund reported an ending fund balance of \$219,443, a decrease of \$15,001 from \$234,444 as of June 30, 2016. The fund balance was unassigned for both years.

#### General Fund Budgetary Highlights

The Commission made no amendments to its original budget for the year ended June 30, 2017. There were no unfavorable variances of 5% or more with the final budgeted amounts.

#### Capital Assets

The Commission's investment in capital assets, net of accumulated depreciation, for the governmental activities as of June 30, 2017 was \$32,811 compared to \$15,718 as of June 30, 2016. In the current fiscal year, the Commission's major purchase was software costing \$23,025 to replace software purchased in July 2010.

## Economic Factors and Next Year's Budget

The Commission foresees minimal changes in operations for the next fiscal year. The budget originally adopted for the year ending June 30, 2018 included increased revenues of \$10,816 and decreased expenditures of \$23,814 from the final budget adopted for the year ended June 30, 2017.

## Requests for Information

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in the Commission's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Ron Carter, Administrator, P.O. Box 672, Bastrop, Louisiana 71220.



MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES  
June 30, 2017

ASSETS

Cash	\$ 121,118
Certificates of deposit	100,000
Restricted cash	475,088
Capital assets, net of depreciation	<u>32,811</u>
Total assets	<u>\$ 729,017</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 135,571</u>
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LIABILITIES

Accounts payable	\$ 2,664
Payroll withholdings	768
Payable from restricted cash	473,331
Long-term liabilities:	
Due within one year	798
Due in more than one year	9,698
Net pension liability	371,483
Net other postemployment benefit ("OPEB") obligation	<u>53,076</u>
Total liabilities	<u>\$ 911,818</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pension	<u>\$ 17,703</u>
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NET POSITION

Invested in capital assets	\$ 32,811
Unrestricted (deficit)	<u>( 97,744)</u>
Total net position (deficit)	<u><u>\$ ( 64,933)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES  
As of and for the Year Ended June 30, 2017

Expenses:	
Current:	
General government:	
Personal services	\$ 260,480
Operating services	38,953
Professional services	12,401
Travel and education	17,126
Depreciation	<u>11,041</u>
Total expenses	\$ 340,001
Program revenues:	
Charges for services	<u>320,106</u>
Net program revenue	\$( 19,895)
General revenues:	
Interest and miscellaneous	<u>1,891</u>
Change in net position	\$( 18,004)
Net position (deficit) - beginning	( 49,329)
Prior period adjustment	<u>2,400</u>
Net position (deficit) - ending	<u><u>\$( 64,933)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND  
June 30, 2017

ASSETS

Cash	\$	121,118
Certificates of deposit		100,000
Restricted cash		<u>475,088</u>
Total assets	\$	<u>696,206</u>

LIABILITIES AND FUND BALANCE

Liabilities:		
Accounts payable	\$	2,664
Payroll withholdings		768
Payable from restricted cash		<u>473,331</u>
Total liabilities	\$	476,763
Fund balance - unassigned		<u>219,443</u>
Total liabilities and fund balance	\$	<u>696,206</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

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

As of and for the Year Ended June 30, 2017

Revenues:	
Charges for services	\$ 320,106
Interest and miscellaneous	896
Total revenues	<u>\$ 321,002</u>
Expenditures:	
Current:	
General government:	
Personal services	\$ 237,292
Operating services	38,953
Professional services	12,401
Travel and education	17,126
Capital outlay	30,231
Total expenditures	<u>\$ 336,003</u>
Net change in fund balance	\$( 15,001)
Fund balance - beginning	<u>234,444</u>
Fund balance - ending	<u>\$ 219,443</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION  
As of and for the Year Ended June 30, 2017

Total fund balance - governmental fund balance sheet	\$ 219,443
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	32,811
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	( 10,496)
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	( 371,483)
Net effect of deferred outflows of resources and deferred inflows of resources related to pensions do not require the use of current financial resources and therefore are not reported in the funds.	117,868
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	<u>( 53,076)</u>
Total net position (deficit) of governmental activities - government-wide statement of net position	<u><u>\$ ( 64,933)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE  
TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

As of and for the Year Ended June 30, 2017

Net change in fund balance - governmental fund	\$( 15,001)
Amounts reported for governmental activities in 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. This is the amount by which capital outlay (\$30,231) exceeded depreciation expense (\$11,041) in the current period.	19,190
Gains on disposition of capital assets are not considered material to record as such in the statement of activities.	( 4,497)
Proportionate share of non-employer contributions to pension plans do not provide current financial resources and are not reported as revenue in the governmental funds.	5,492
Governmental funds report current year pension contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflows of resources and the proportionate share of the plans' pension expense is reported as such.	( 20,218)
Compensated absences and OPEB obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>( 2,970)</u>
Change in net position - government-wide statement of activities	<u>\$( 18,004)</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS  
As of and for the Year Ended June 30, 2017

Note 1. Organization and Summary of Significant Accounting Policies

Morehouse Sales and Use Tax Commission (the "Commission") was created by joint agreement of the sales and use taxing bodies of Morehouse Parish, Louisiana, on May 7, 1992, in accordance with Louisiana Revised Statute 33:2844. The purpose of the Commission is to provide centralized collection, enforcement, and administration of sales and use taxes within Morehouse Parish. The governing body of the Commission is comprised of nine non-compensated board members which are appointed as follows:

	<u>Members Appointed</u>
Morehouse Parish School Board	2
Morehouse Parish Police Jury	1
Sheriff of Morehouse Parish	1
City of Bastrop	2
Village of Mer Rouge	1
Village of Bonita	1
Village of Collinston	1

Each appointee of Morehouse Parish School Board and City of Bastrop, as well as the appointees of Morehouse Parish Police Jury and Sheriff of Morehouse Parish, have one full vote as a commissioner and the appointees from Village of Mer Rouge, Village of Bonita, and Village of Collinston have one-third vote each as a commissioner. Each appointed commissioner serves a one year term ending on June 30th of each year.

The Commission has entered into a joint agreement with Morehouse Parish Tourism Commission to collect, enforce, and administer the respective hotel/motel occupancy tax as authorized and levied by Morehouse Parish Tourism Commission within the boundaries of Morehouse Parish. The joint agreement also authorizes the Commission to institute suits in the name of Morehouse Parish Tourism Commission to enforce the collection of such tax. The joint agreement runs in perpetuity provided, however, that either party may withdraw from the agreement upon 90 day written notice to the authorized representative. For services performed by the Commission under the joint agreement, Morehouse Parish Tourism Commission pays the Commission \$50 per month for collection of ten and under account transactions of any tax activity. If the number of tax account activities exceeds the maximum of ten accounts, the collection fee will be negotiated between the two parties and attached as an amendment to the agreement.

## NOTES TO FINANCIAL STATEMENTS

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this statement, the Commission is a jointly appointed stand-alone government, as it meets neither the criteria of a primary government, nor a component unit, since its governing board is not elected, and it is not fiscally dependent upon any of the constituent governments. As used in GASB Statement No. 14, fiscally independent means that the Commission may, without the approval or consent of another governmental entity, determine or modify its own budget and set its own rates or charges. The Commission has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the appointed Board of Commissioners are financially accountable.

The more significant of the Commission's accounting policies are described below:

### Government-Wide Financial Statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Commission as a whole.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities summarizing the fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include charges for services which report charges to users of the Commission's services. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included within the program revenues are reported as general revenues.

### Fund Financial Statements:

Fund financial statements are provided for governmental funds with the major governmental fund reported in a single column.

## NOTES TO FINANCIAL STATEMENTS

### Basis of Accounting, Measurement Focus, and Financial Statement Presentation:

The financial statements of the Commission are prepared in accordance with generally accepted accounting principles ("GAAP").

The government-wide statements report 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.

Government fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are recorded when the related fund liability is incurred. There are no major revenue sources susceptible to accrual.

Fiduciary fund reporting focuses on net assets and changes in net assets. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, fiduciary funds have no measurement focus, but use the modified accrual basis of accounting.

### Fund Type and Major Fund:

The Commission reports the General Fund as a major governmental fund. The General Fund is the general operating fund of the Commission and accounts for all financial resources.

The only fund accounted for as a fiduciary fund by the Commission is an agency fund. This fund accounts for assets held by the Commission as agent for various taxing bodies.

### Budgets and Budgetary Accounting:

The budget for the General Fund was proposed by the Commission's administrator and formally adopted by the Board of Commissioners on June 16, 2015. The annual budget is prepared in accordance with the basis of accounting utilized by the fund. The Commission's administrator is authorized to transfer budgeted amounts within the functions; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, require approval of the Commissioners. All annual appropriations lapse at the end of each fiscal year.

## NOTES TO FINANCIAL STATEMENTS

### 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.

### Cash:

Cash includes amounts in interest bearing demand deposits. Under state law, the Commission may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

### Certificates of Deposit:

State statutes authorize the Commission to invest in United States bonds, treasury notes and bills, or certificates or time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. If the original maturities of time deposits exceed 90 days, they are classified as certificates of deposit; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Nonparticipating investment contracts, generally certificates of deposit, are reported at cost, which approximates market value.

### Restricted Assets:

Restricted assets are reported for cash legally restricted for specified uses such as the repayment of sales taxes paid under protest.

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

### Capital Assets and Depreciation:

The Commission's furniture, equipment, and vehicle with useful lives of more than one year are stated at historical cost. Capital assets are comprehensively reported in the government-wide financial statements.

## NOTES TO FINANCIAL STATEMENTS

The Commission generally capitalizes assets with cost of \$1,000 or more as purchase outlays occur. The costs of normal maintenance and repairs not adding to an asset's value or materially extending its useful life are not capitalized. Capital assets are depreciated using the straight-line method over estimated useful lives of five years. Upon disposition of capital assets, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

### Accumulated Compensated Absences Recorded as Long-Term Liabilities:

Allowable annual vacation and sick leave is prescribed by the Commission's personnel policy, based on length of continuous employment by the Commission, accrued on an employment anniversary basis, and accrued to specified maximums. Hourly employees may elect compensatory time in lieu of overtime pay with proper documentation and approval by the Commission's administrator. Compensatory time is granted to supervisory personnel in lieu of overtime pay.

The Commission's recognition and measurement criteria for compensated absences follows:

GASB Statement No. 16, *Accounting for Compensated Absences*, provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

1. The employees' rights to receive compensation are attributable to services already rendered.
2. It is probable that the employer will compensate the employee for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following approaches:

1. An accrual for earned sick leave should be made only to the extent it is probable that the benefits will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.

## NOTES TO FINANCIAL STATEMENTS

2. Alternatively, a governmental entity should estimate its accrued sick leave liability based on the sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Annual vacation time should be taken in the year following that in which it was accrued but if not, a maximum of five days can be carried forward to use during the next year. If an employee is unable to utilize any vacation days over the maximum that may be carried forward, then the unused portion will be credited as extended sick leave.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year are recorded as long-term liabilities in the government-wide financial statements. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. Compensated absences are paid from the fund responsible for the employee's compensation and are recorded in the fund financial statements only when payment is actually made.

### Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees Retirement System (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expenditure until then. In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Commission's deferred outflows and deferred inflows are resources related to pensions.

## NOTES TO FINANCIAL STATEMENTS

### Equity Classifications:

In the government-wide statements, equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - 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.
2. Restricted net assets - consists of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provision or enabling legislation.
3. Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund financial statements, governmental fund equity is classified as fund balance. These statements provide more clearly defined fund balance categories to make the nature and extent of the constraints placed on the Commission's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

1. Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;
2. Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
3. Committed fund balance - amounts constrained to specific purposes by the Commission itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the Commission takes the same highest level action to remove or change the constraint;
4. Assigned fund balance - amounts that the Commission intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
5. Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

## NOTES TO FINANCIAL STATEMENTS

### Revenue Recognition:

Fees for the collection of sales and use taxes are recorded when the Commission is entitled to the funds which is normally the same month the taxes are collected by the Commission.

### Note 2. Deposits with Financial Institutions

As of June 30, 2017, the Commission had cash and certificates of deposit (book balances) as follows:

Interest-bearing demand deposits	\$ 596,006
Certificates of deposit	100,000
Petty cash	<u>200</u>
	<u>\$ 696,206</u>

The deposits are stated at cost, which approximates market. Under state law, the deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the Commission or its agent in the name of the Commission in a holding or custodial bank that is mutually acceptable to both parties.

As of June 30, 2017, the Commission had \$708,067 in deposits (collected bank balances). These deposits were secured from risk by \$350,000 of federal deposit insurance and \$358,067 of pledged securities held by the counterparty's trust department or agent in the Commission's name.

There were no repurchase or reverse repurchase agreements as of June 30, 2017.

The Commission had not formally adopted deposit and investment policies as of June 30, 2017 that limit the Commission's allowable deposits or investments and address the specific types of risk to which the Commission might be exposed.

### Note 3. Restricted Cash and Liability Payable from Same

Restricted assets of \$475,088 consist of funds required to be maintained and the use is restricted to the repayment of sales taxes paid under protest.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

Capital asset and depreciation activity for the year ended June 30, 2017 of the Commission is as follows:

	Balance July 1, <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2017</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 69,328	\$ 32,631	\$( 27,086)	\$ 74,873
Vehicle	<u>27,731</u>	<u>-</u>	<u>-</u>	<u>27,731</u>
Total capital assets being depreciated	<u>\$ 97,059</u>	<u>\$ 32,631</u>	<u>\$( 27,086)</u>	<u>\$ 102,604</u>
Less accumulated depreciation:				
Furniture and equipment	\$( 56,384)	\$( 8,267)	\$ 22,589	\$( 42,062)
Vehicle	<u>( 24,957)</u>	<u>( 2,774)</u>	<u>-</u>	<u>( 27,731)</u>
Total accumulated depreciation	<u>\$( 81,341)</u>	<u>\$( 11,041)</u>	<u>\$ 22,589</u>	<u>\$( 69,793)</u>
Total capital assets being depreciated, net	<u>\$ 15,718</u>	<u>\$ 21,590</u>	<u>\$( 4,497)</u>	<u>\$ 32,811</u>

Note 5. Long-Term Liabilities

The following is a summary of the transactions of the Commission's long-term liabilities for the year ended June 30, 2017:

	Compensated <u>Absences</u>
Balance - July 1, 2016	\$ 11,484
Net additions (deletions)	<u>( 988)</u>
Balance - June 30, 2017	<u>\$ 10,496</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of the current (due within one year) and long-term (due within more than one year) portions of long-term liabilities as of June 30, 2017:

	Compensated <u>Absences</u>
Current portion	\$ 798
Long-term portion	<u>9,698</u>
Total	<u>\$ 10,496</u>

As of June 30, 2017, employees of the Commission had accumulated and vested compensated absences which were computed in accordance with GASB Statement No. 16. The total amount accrued as of June 30, 2017 is reported in the statement of net position as long-term liabilities.

Note 6. Pension Plan and Other Pension Liabilities

The Commission's employees are provided with benefits through Municipal Employees Retirement System (Plan A) ("MERS"). MERS provides retirement benefits to employees of all incorporated villages, towns, and cities within the state that do not have their own retirement system and have elected to become members of MERS.

General Information About MERS:

MERS membership is mandatory as a condition of employment beginning on the date employed if the employee is on a permanent basis working at least thirty-five hours per week. Those individuals paid jointly by a participating employer and the parish are not eligible for membership, with exceptions outlined in the Louisiana Revised Statutes. The Commission participates in Plan A and provides retirement benefits to any member of Plan A who was hired before January 1, 2013 meeting one of the following criteria:

1. Any age with 25 or more years of creditable service
2. Age 60 with a minimum of 10 years creditable service
3. Any age with 5 years of creditable service for disability benefits
4. Survivor's benefits require 5 years of creditable service at death of member
5. Any age with 20 years of creditable service, exclusive of military service with an actuarially reduced early benefit.

## NOTES TO FINANCIAL STATEMENTS

For members hired after January 1, 2013, benefits are provided to any member of Plan A meeting one of the following criteria:

1. Age 67 with 7 or more years of creditable service
2. Age 62 with 10 or more years of creditable service
3. Age 55 with 30 or more years of creditable service
4. Any age with 25 or more years of service, exclusive of military service and unused sick leave, with an actuarially reduced early benefit.

Generally, the monthly retirement allowance for any member of Plan A consists of an amount equal to 3% of the member's monthly average final compensation times years of creditable service. Survivor, death, and disability benefits are also provided under the plan.

In lieu of terminating employment and accepting a service retirement allowance, any member who is eligible to retire may elect to participate in the deferred retirement option plan ("DROP") for up to three years and defer the receipt of benefits. During such period, employer contributions continue but employee contributions cease. Monthly benefits that the member would have received during the DROP period are paid into the DROP fund. Interest is earned when the member has completed DROP participation, based on the actual rate of return on the investments identified as DROP fund for the period. No cost-of-living increases are payable to participants until employment has been terminated for at least one full year.

For the years ended June 30, 2016 and 2015, the actual employer contribution rates were 19.75% and 19.75%, respectively, and the actuarially required contribution rates were 19.75% and 19.75%, respectively. The current statutes require that rates be actuarially determined each year.

MERS receives ad valorem and state revenue sharing funds as employer contributions and those amounts are considered support from nonemployer contributing entities, but are not considered as special funding situations.

## NOTES TO FINANCIAL STATEMENTS

The estimated real rate of return for each major asset class is as follows:

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Fixed income	35%	1.80%
Equity	50%	2.60%
Alternatives	<u>15%</u>	<u>.80%</u>
Totals	<u>100%</u>	5.20%
Inflation		<u>2.50%</u>
Expected arithmetic nominal return		<u>7.70%</u>

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 22.75% of annual covered payroll. Contributions to MERS also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active member of each plan. The contribution requirements of plan members and the Commissions are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Commission's contributions to the System under Plan A for the years ended June 30, 2017, 2016, and 2015 were \$37,281, \$31,976, and \$31,577, respectively, equal to the required contributions for each year.

### Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources:

As of June 30, 2017 and 2016, the Commission reported a total of \$371,483 and \$334,522, respectively, for its proportionate shares of the net pension liability of MERS.

The net pension liabilities was measured as of June 30, 2016 and 2015, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of those dates. The Commission's proportion of the net pension liability was based on projections of the Commission's long-term share of contributions to MERS relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportions of MERS for both fiscal years ended June 30, 2016 and 2015 were .09%.

For the years ended June 30, 2017 and 2016, the Commission recognized pension expense of \$37,281 and \$31,976, respectively.

## NOTES TO FINANCIAL STATEMENTS

In addition, the Commission reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources as of June 30:

	<u>2017</u>	<u>2016</u>
Deferred outflows of resources:		
Changes in proportion	\$ 1,572	\$ 7,048
Changes in assumptions	13,523	27,495
Net difference between projected and actual earnings on pension plan investments	84,836	42,945
Commission's contributions subsequent to the measurement date	<u>35,640</u>	<u>31,976</u>
Total deferred outflows of resources	<u>\$ 135,571</u>	<u>\$ 109,464</u>
Deferred inflows of resources:		
Changes in proportion	\$ 5,961	\$ -
Differences between expected and actual experience	11,742	13,831
Net difference between projected and actual earnings on pension plan investments	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 17,703</u>	<u>\$ 13,831</u>

The deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and all amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>	
2018	\$ 26,518
2019	15,060
2020	27,489
2021	13,161
2022	-
Thereafter	-

## NOTES TO FINANCIAL STATEMENTS

### Actuarial Assumptions:

The total pension liabilities in the June 30, 2016 actuarial valuations for MERS were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.88%
Salary increases	5.00%
Investment rate of return	7.50%
Actuarial cost method	entry age normal
Expected remaining service lives	3 years

Mortality rates for MERS were based on the RP-2000 Employee Table for active members, Healthy Annuitant Table for healthy annuitants, and Disabled Lives Mortality Tables for disabled annuitants.

The investment rate of return was determined based on expected cash flows which assume that contributions from plan members will be made at current contribution rates and that contributions from the Commission will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' recommendation of the system's actuary. Based on these assumptions, MERS' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the investment rate of return on plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

### Sensitivity of the Commission's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate:

The following presents the Commission's proportionate shares of the net pension liability of MERS as of June 30, 2017, calculated using the discount rates as shown above, as well as what the Commission's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate of 7.5%:

<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
<u>Discount Rate</u>	<u>Discount Rate</u>	<u>Discount Rate</u>
\$ 472,223	\$ 371,483	\$ 285,520

### Pension Plan Fiduciary Net Position:

Detailed information about the Plan's fiduciary net position is available in the separately issued financial statements of the Plan.

## NOTES TO FINANCIAL STATEMENTS

### Note 7. Postemployment Benefits Other than Pensions

#### Plan Description:

The Commission maintains fully insured medical insurance coverage for current retired employees (and eligible dependents). To be eligible to continue coverage under the Commission's plan, an employee must retire from the Commission and receive or be eligible to receive retirement funds through the state retirement program sponsored by the Commission. This benefit for retirees and a similar benefit for active employees are provided through an insurance company whose monthly premiums are paid by City of Bastrop, Louisiana with the Commission making reimbursement payments.

Benefit provisions are established by the Commission. The health plan does not issue a publicly available financial report.

#### Funding Policy:

The Commission contributes 100% of the cost of health insurance premiums for eligible retirees and 50% for their spouses. For the year ended June 30, 2017, the Commission contributed \$4,650 that was applied toward the net OPEB obligation.

#### Annual Required Contribution ("ARC"):

The Commission's annual OPEB cost (expense) is calculated based on the ARC of the employer. The Commission has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

## NOTES TO FINANCIAL STATEMENTS

### Annual OPEB Cost and Net OPEB Obligation:

The following table shows the components of the Commission's annual OPEB cost for the recent two fiscal years, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation to the medical plan:

	Year Ended June 30,	
	2017	2016
Annual required contribution	\$ 8,644	\$ 8,644
Interest adjustment to net OPEB obligation	1,719	1,572
Annual required contribution	<u>( 1,755)</u>	<u>( 1,605)</u>
Annual OPEB cost	\$ 8,608	\$ 8,611
Contributions made	<u>( 4,650)</u>	<u>( 4,413)</u>
Increase in net OPEB obligation	\$ 3,958	\$ 4,198
Net OPEB obligation, beginning	<u>49,118</u>	<u>44,920</u>
 Net OPEB obligation, ending	 <u>\$ 53,076</u>	 <u>\$ 49,118</u>

The table below shows the Commission's annual post employment benefits cost, percentage of the cost contributed, and the net unfunded post employment benefits liability:

Year Ended June 30,	Annual OPEB Cost	Percentage of Annual OPEB Contributed	Net OPEB Obligation
2015	\$ 6,322	65.5%	\$ 44,920
2016	8,611	51.2%	49,118
2017	8,608	54.0%	53,076

### Funded Status:

As of July 1, 2015, the actuarial accrued liability for benefits was \$134,341, all of which was unfunded; therefore, the plan had no assets and had a funded ratio of zero. The covered payroll (annual payroll of active employees covered by the plan) was \$144,660, and the ratio of the unfunded actuarial accrued liability to the annual covered payroll was 92.9%. The Commission uses the "entry-age normal" actuarial cost method.

## NOTES TO FINANCIAL STATEMENTS

### Funding Progress:

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
July 1, 2010	\$ -	\$ 323,513	\$ 323,513	0.0%	\$ 135,343	239.0%
July 1, 2013	-	114,603	114,603	0.0%	142,915	80.2%
July 1, 2015	-	134,341	134,341	0.0%	144,660	92.9%

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented above presents multi-trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### Methods and Assumptions:

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Due to Taxing Bodies

Balance July 1, 2016	\$ <u>          -</u>
Collections:	
Sales and use tax	\$ 17,677,223
Hotel/motel occupancy tax	54,924
Interest and miscellaneous	<u>582</u>
Total collections	<u>\$ 17,732,729</u>
Remittances:	
Taxes distributed:	
Sales and use	\$ 17,235,783
Hotel/motel occupancy	54,924
Refunded sales and use tax	32,302
Collection fee to Morehouse Sales and Use Tax Commission	321,006
Other	<u>88,714</u>
Total remittances	<u>\$ 17,732,729</u>
Balance June 30, 2017	<u><u>          -</u></u>

The following details the collections and fees remitted to the Commission by each entity for the year ended June 30, 2017:

	<u>Total Collections</u>	<u>Collection Cost</u>	<u>Final Distribution</u>
Morehouse Parish School Board (2%)	\$ 6,650,958	\$ 122,520	\$ 6,528,438
Morehouse Parish Police Jury (.5%)	1,662,368	30,255	1,632,113
Morehouse Parish Police Jury			
Sales Tax District No. 1 (.5%)	111,846	2,036	109,810
Morehouse Parish Sheriff (.5%)	1,662,368	30,255	1,632,113
Law Enforcement Subdistrict No.1(1%)	1,111,884	20,236	1,091,648
City of Bastrop (2.5%)	4,972,864	90,506	4,882,358
City of Bastrop Sales Tax			
District No. 1 (.5%)	992,547	18,064	974,483
Village of Mer Rouge (2%)	318,064	5,789	312,275
Village of Bonita (2%)	39,464	718	38,746
Village of Collinston (2%)	<u>34,426</u>	<u>627</u>	<u>33,799</u>
Totals	<u>\$ 17,556,789</u>	<u>\$ 321,006</u>	<u>\$ 17,235,783</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 9. Contingencies and Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Commission carries commercial insurance for all risks of loss, including workers' compensation and employee health and accident insurance. There have been no significant reductions in the insurance coverage from coverage in the prior year. Settlements have not exceeded insurance coverage for each of the past three fiscal years.

As of June 30, 2017, the Commission had outstanding claims for refunds of sales taxes. Fortunately for the Commission and the other similarly situated local taxing authorities involved in the case, the court ruled in the taxing authorities' favors and declared that the drug companies and dialysis clinic owners were not entitled to an exemption from sales tax on the purchase of prescription drugs that are administered to Medicare-insured patients.

The taxpayers filed an appeal with the First Circuit Court of Appeal in Baton Rouge and the case was reset for oral argument on December 5, 2016. Regardless of the First Circuit Court's ultimate decision, the Commission's legal counsel anticipates there will likely be writs taken to the Louisiana Supreme Court by the ultimate non-prevailing party. Therefore, the Commission's legal counsel has instructed the local tax administrators not to release or disburse any taxes that have been paid under protest and are being held in escrow, and not to refund any taxes which the taxpayers are claiming to be entitled to receive.

As to the payments under protest, considering the fact that those payments are being held in escrow, the only exposure to the Commission if the case is decided adverse to the Commission would be statutory interest on the amounts refunded from escrow (see Note 3).

### Note 10. Subsequent Events

Management of the Commission evaluated subsequent events through the date that the financial statements were available to be issued, November 10, 2017, and determined that no events had occurred requiring disclosure. No subsequent events occurring after this date were evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND  
As of and for the Year Ended June 30, 2017

	<u>Budget</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
<b>Revenues:</b>				
Charges for services	\$ 305,591	\$ 305,591	\$ 320,106	\$ 14,515
Interest and miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>896</u>	<u>( 104)</u>
Total revenues	<u>\$ 306,591</u>	<u>\$ 306,591</u>	<u>\$ 321,002</u>	<u>\$ 14,411</u>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>General government:</b>				
<b>Personal services:</b>				
Salaries	\$ 165,585	\$ 165,585	\$ 164,441	\$ 1,144
Retirement	37,329	37,329	37,281	48
Group health insurance	38,160	38,160	31,972	6,188
Payroll taxes	2,494	2,494	2,420	74
Workers' compensation insurance	1,573	1,573	1,178	395
Unemployment insurance	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total personal services	<u>\$ 246,141</u>	<u>\$ 246,141</u>	<u>\$ 237,292</u>	<u>\$ 8,849</u>
<b>Operating services:</b>				
Dues and subscriptions	\$ 1,600	\$ 1,600	\$ 1,412	\$ 188
Postage and permits	2,800	2,800	2,993	( 193)
Telephone	4,500	4,500	4,263	237
Office rent and utilities	11,000	11,000	10,662	338
Repairs and maintenance	6,300	14,975	11,439	3,536
Office supplies	5,850	5,850	5,811	39
Computer upgrades	<u>6,500</u>	<u>32,025</u>	<u>3,543</u>	<u>28,482</u>
Total operating services	<u>\$ 38,550</u>	<u>\$ 72,750</u>	<u>\$ 40,123</u>	<u>\$ 32,627</u>

(continued)

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND  
(Continued)

As of and for the Year Ended June 30, 2017

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance -</u> <u>Favorable</u> <u>(Unfavorable)</u>
Professional services:				
Legal	\$ 12,000	\$ 12,000	\$ -	\$ 12,000
Audit	9,000	9,000	9,220	( 220)
Insurance	3,000	3,000	3,181	( 181)
Total professional services	<u>\$ 24,000</u>	<u>\$ 24,000</u>	<u>\$ 12,401</u>	<u>\$ 11,599</u>
Travel and education	<u>\$ 12,900</u>	<u>\$ 17,700</u>	<u>\$ 17,126</u>	<u>\$ 574</u>
Capital outlay	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$ 30,231</u>	<u>\$( 27,231)</u>
Total general fund expenditures	<u>\$ 324,591</u>	<u>\$ 363,591</u>	<u>\$ 337,173</u>	<u>\$ 26,418</u>
Net change in fund balance	\$( 18,000)	\$( 57,000)	\$( 16,171)	\$ 40,829
Fund balance - beginning	<u>18,000</u>	<u>57,000</u>	<u>234,444</u>	<u>177,444</u>
Fund balance - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 218,273</u>	<u>\$ 218,273</u>

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
Last Ten Fiscal Years

	<u>Year Ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of net pension liability	.09%	.09%	.09%
Proportionate share of net pension liability	\$ 371,483	\$ 334,522	\$ 236,223
Covered employees' payroll	\$ 161,902	\$ 159,833	\$ 139,739
Proportionate share of net pension liability as a percentage of covered employees' payroll	229.45%	209.29%	169.05%
Plan fiduciary net position as a percentage of total pension liability	62.11%	66.18%	75.45%

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SCHEDULE OF CONTRIBUTIONS  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
Last Ten Fiscal Years

	<u>Year Ended June 30,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 31,976	\$ 31,567	\$ 28,995
Contributions in relation to contractually required contribution	<u>31,976</u>	<u>31,567</u>	<u>28,995</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 161,902	\$ 159,833	\$ 139,734
Contribution as a percentage of covered employees' payroll	19.75%	19.75%	20.75%

OTHER SUPPLEMENTARY INFORMATION

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,  
AND OTHER PAYMENTS TO AGENCY HEAD  
As of and For the Year Ended June 30, 2017

The Commission paid no compensation, reimbursements, or benefits to an agency head during the year ended June 30, 2017.

# HILL, INZINA & COMPANY

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

Board of Commissioners  
Morehouse Sales and Use Tax Commission  
Bastrop, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission ("Commission"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 10, 2017.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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 Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2017-1 that we consider to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

#### Commission's Response to Finding

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

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission'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 Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of management and the board of commissioners and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by Louisiana Legislative Auditor as a public document.

/s/ Hill, Inzina & Co.

November 10, 2017

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION  
As of and for the Year Ended June 30, 2017

We have audited the financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2017, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated November 10, 2017. 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 audit of the financial statements as of June 30, 2017 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

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*

Internal Control

Significant Deficiencies  Yes  No

Material Weaknesses  Yes  No

Compliance

Material to Financial Statements  Yes  No

Section II - Financial Statement Findings

2017-1 Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the year ended June 30, 1994)

Criteria: Adequate segregation of duties is essential to a proper internal control structure.

Condition: The segregation of duties is inadequate to provide effective internal control.

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's  
response and  
planned cor-  
rective action:

We concur in the finding, but it is not economically feasible for  
corrective action to be taken.

Section III - Management Letter

Not issued.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
As of and for the Year Ended June 30, 2017

Section I - Financial Statement Findings

2016-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to a  
proper internal control.

Unresolved - 2017-1.

Section II - Management Letter

Not issued.

# HILL, INZINA & COMPANY

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of Morehouse Sales and Use Tax Commission and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by Morehouse Sales and Use Tax Commission (the "Commission" and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Commission's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

### *Written Policies and Procedures*

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1. Obtain the Commission's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the Commission does not have any written policies and procedures), as applicable:
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget  
\*\*The Commission has no written policies or procedures addressing budgeting.  
MR Concur with Auditor
  - 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.  
\*\*The Commission has no written policies or procedures addressing purchasing.  
MR Concur with Auditor
  - c) **Disbursements**, including processing, reviewing, and approving  
\*\*The Commission has no written policies or procedures addressing disbursements.

MR Concur with Auditor

- d) **Receipts**, including receiving, recording, and preparing deposits

\*\*The Commission only has written policies and procedures addressing the use of pre-numbered receipts, retaining the four copies of each receipt, voiding a receipt, and the maintenance of two cash drawers.

MR Concur with Auditor

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

\*\*The Commission has written policies and procedures addressing the use of QuickBooks to process payroll checks, payment of related taxes, and the filing of payroll forms. Written policies and procedures have also been adopted addressing:

sick leave	holidays
family and medical leave	overtime, compensation time, and other leave
vacation pay	group health and life insurance
retirement benefits	deferred compensation

MR Concur with Auditor

- 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

\*\*The Commission has no written policies or procedures addressing contracting.

MR Concur with Auditor

- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage

\*\*The Commission has no written policies or procedures addressing credit and debit cards.

MR Concur with Auditor

- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

\*\*The Commission does have written policies and procedures addressing travel and expense reimbursement.

MR Concur with Auditor

- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees annually attest through signature verification that they have read the Commission's ethics policy.

\*\*The Commission has no written policies or procedures addressing ethics.

MR Concur with Auditor

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

\*\*The Commission has no written policies and procedures addressing debt service.

MR Concur with Auditor

### ***Board of Commissioners***

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

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

\*\*The "Joint Agreement for Collection of Sales and Use Taxes" provides for meetings to be called by the Commission's administrator upon request of the chairman of the board or any four members but does not specify the frequency. The Board of Commissioners met three times during the fiscal period.

MR Board voted to hold 2 meetings a year and others if issues arise.

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

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

\*\*The minutes for the three meetings held did not reference or include any budget-to-actual comparisons.

MR Concur with Auditor

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

\*\*None of the minutes for the three meetings held referenced or included non-budgetary financial information.

MR Concur with Auditors, but unsure how this situation would arise.

### ***Bank Reconciliations***

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

\*\*Management of the Commission provided a listing of the bank accounts and representation that the listing was complete.

MR The Administrator monitors the budget monthly to actual expenditures and if there is a problem and/or situation, the board will be informed in a meeting.

4. Using the listing provided by management, select all the Commission's bank accounts (if five accounts or less) or one-third of the bank accounts on a three-year rotating basis (if more than five accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

\*\*Monthly bank reconciliations were prepared for the Commission's two checking accounts and on a quarterly basis for the Commission's two savings accounts

MR Concur with Auditor (Note: Statements for savings accounts only published quarterly)

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

\*\*There was no evidence that a member of management or a board member reviewed any of the bank reconciliations.

MR The Administrator is the Manager and prepares the bank reconciliations.

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

\*\*None of the reconciliations had reconciling items that had been outstanding for more than six months as of the end of the fiscal period.

MR Concur with Auditor

### Collections

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

\*\*Management of the Commission provided a listing of the cash collection locations and representation that the listing was complete

MR Concur with Auditor

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

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded,

(2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.

\*\*Invoices were examined providing evidence that each person responsible for collecting cash was bonded. All employees are involved in collecting, depositing, recording, and reconciling.

\*\*Each of the two tax clerks maintain their own cash drawer that is locked when not in use. If the administrator or auditor receive a payment, they notate below their signature on the receipt which tax clerks' cash drawer the payment is put. Tax clerks count each other's cash drawer at the close of monthly collections, and the administrator randomly counts the cash drawers.

MR- Concur with Auditor

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

\*\*The Commission has no formal, written process to reconcile cash collections by a person who is not responsible for cash collections.

MR All Personnel in the office are responsible for taking cash. However, the tax clerk and the tax officer are usually the ones who take payments.

\*\*A pre-numbered receipt book is provided for a receipt to be written for all cash received. Written procedures address the disposition of each of the four copies of each receipt. If an error is made in writing a receipt, it must be voided and all four copies left in the receipt book.

MR Concur with Auditor

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
- Using the Commission's collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
  - \*\*The Commission does not document when the paper sales tax reports are physically delivered to their office (either by the postmaster or hand delivered by taxpayers). Five individual deposits were made in the highest (dollar) week of cash collections. Examination of those four deposits revealed:

Earliest Return Date	Latest Return Date	Deposit Date (Batch #)	Actual Cash (Receipt #)
6-30-16	7-18-16	7-18-16 (#1630)	\$ 115 (58-59)
7-4-16	7-15-16	7-18-16 (#1631)	\$ 0 (n/a)
6-10-16	7-19-16	7-19-16 (#1632)	\$ 842 (61-63)
7-7-16	7-20-16	7-20-16 (#1633)	\$ 0 (n/a)
7-5-16	7-20-16	7-21-16 (#1634)	\$1,903 (67-70)

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

\*\*Batch deposits are sequentially numbered by the sales tax software. Receipts numbered 4165 and 4166 (totaling \$305) were issued but not accounted for in a deposit. The applicable copies were retained in the receipt book as required by the related policy but the copies that were to be attached to the batch deposit document were missing. Also, the receipts required by the related policy to be given to the administrator were observed remaining in the receipt book. Collections are not completely supported by documentation.

MR Concur with Auditor

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Commission has a process specifically defined (identified as such by the Commission) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

\*\*The Commission has no process specifically defined to determine completeness of all collections by a person who is not responsible for collections.

MR This is not feasible to determine if all taxpayers have paid until the end of the month.

***Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)***

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

\*\*The Commission provided detailed general ledgers and representation that the general ledger populations were complete.

MR Concur with Auditor

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

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

\*\*The Commission does not utilize a requisition/purchase order system or an equivalent.

MR Concur with Auditor

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

\*\*See #9.a.

MR Concur with Auditor

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

\*\*See #9.a. No invoice was made available for one (\$400) of the 25 transactions selected. Five of the 25 transactions were processed without approval by the Chairman of the Board, which is the Commission's standing but not written policy.

MR Unsure of what the \$400 invoice was for but normally checks are not written and signed until statements are received. In regards to the approval of the chairman of the board, the joint agreement states under paragraph 4 (9) that the administrator has the authority to purchase and/ or lease any equipment needed by the commission as long as he doesn't exceed the approved budget.

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

\*\*Both the Commission's administrator and auditor, who also process payments, may add vendors to the Commission's purchasing/disbursement system.

MR Concur with Auditor

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

\*\*Both the Commission's administrator and auditor, who have signatory authority or make the final authorization for disbursements, also initiate and/or record purchases.

MR Concur with Auditor

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

\*\*Unused checks are maintained in a locked location only when the office is closed. Access is not restricted to those persons that do not have signatory authority.

MR Concur with Auditor but looking for another alternative for safe fireproof storage.

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

\*\*The Commission does have a signature stamp for the administrator which is kept locked in the auditor's desk. The administrator attest that the stamp is used only by the auditor with his knowledge and consent. Likewise, the administrator stated that signed checks are maintained under the control of the signer or authorized signature stamp user until mailed.

MR Concur with Auditor

#### ***Credit Cards/Debit Cards/Fuel Cards/P-Cards***

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

\*\*The Commission provided a listing of all active credit and bank debit cards and representation that the listing was complete.

MR Concur with Auditor

15. Using the listing prepared by management, randomly select ten cards (or at least one-third of the cards if the entity has less than ten cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

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

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

\*\*Both the administrator and auditor have three credit cards each. There was no evidence that the monthly statements and supporting documentation were reviewed and approved, in writing, by someone other than the authorized card holders.

MR Other than the cardholders, no one else in the office can authorize the purchases.

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

\*\*No finance charges and/or late fees were assessed on the selected statements but a restocking fee of \$306 was noticed as being charged for the return of a document scanner while determining the card selection.

MR Concur with Auditor, but purchased the wrong scanner and was not aware there was a restocking fee.

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

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

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

\*\*Debit card transactions for the month of June 2017 were selected. One meal receipt for \$23 did not precisely detail what was purchased. This noon meal was charged at approximately 2 p.m. for the administrator and auditor who were attending a conference that began at 1:30 p.m. in a city located 60 miles from the Commission's office. The conference did not provide a noon meal but the other two Commission's employees who

attended did not charge their noon meal to the Commission. Another meal charge of \$40 (\$34 dinner plus \$6 tip) (both exceeded GSA rate) (see #18 below) was incurred by the auditor the night before the same conference began at 1:30 p.m. the next day along with a hotel room for \$119 (exceeded GSA rate) (see #18 below). Hotel rooms for two more nights were paid by debit cards for the auditor and two other employees of the Commission to attend this conference, again in a city located 60 miles from the Commission's office. Hotel taxes of \$35 were charged and paid on one of the rooms. All hotel reservations were originally made for two nights but an additional night was subsequently reserved for the auditor.

\*\*While performing other procedures, it was noted the majority of meal receipts retained by the Commission did not identify precisely what was purchased and exceeded GSA rates based on the number of people in the party.

MR We were not aware that we had to have an itemized receipt for meals. The Administrator and the Auditor attended the June conference in Ruston and arrived early in order to help the new Administrator host the conference. This is also the reason that the Administrator and the Auditor had meals the day the conference started and the reason why the tax clerk and tax officer drove the provided company car and did not have meals submitted for reimbursement for the day of the conference because they did not arrive until after lunch. The exemption that we presented to the hotel states that the form does

not exempt occupancy tax. This varies by hotel because of how the law is interpreted by the management. In addition, we received a refund of \$25 in sales tax from the hotel on June 15, 2017.

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

\*\*The Commission has no written policies or procedures relating to purchasing or disbursements. None of the transactions examined were subject to the Louisiana Public Bid Law.

MR Concur with Auditor

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

\*\*The meal receipt that did not precisely detail what was purchased, the \$119 charged for a hotel room the night before a conference began at 1:30 p.m. the next day, and the charge

of \$720 for two more nights of lodging for a conference being held in a city located 60 miles from the Commission's office may be construed to be in violation of Article 7, Section 14 of the Louisiana Constitution.

MR Concur with Auditor but unsure of how to interpret Article 7, Section 14 of the Louisiana Constitution.

### ***Travel and Expense Reimbursement***

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

\*\*The Commission provided a listing of all travel and related expense reimbursements, by person, and representation that the listing was complete.

MR Concur with Auditor

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

\*\*The Commission's written policies related to travel and expense reimbursement provide for hotel rooms to be reimbursed at actual cost; meals to be reimbursed at actual cost plus 15% for tips or \$50 per day plus tips not to exceed 15%; and per mileage reimbursement at the rate quoted on State of Louisiana's travel website. The \$50 per day for meals allows \$10 for breakfast, \$15 for lunch, and \$25 for dinner. The GSA rate allows \$11 for breakfast, \$12 for lunch, and \$23 for dinner plus \$5 for incidental expenses (tips).

\*\*The Commission's policies allow reimbursement for "all employees who incur expenses in carrying out their authorized duties" and "will be allowed for all necessary and reasonable expenses". There is no restriction as to the distance of travel or length of stay.

MR Unsure of which rates that should be followed. Do we go by the GSA rates or the Commission's travel policy that was approved at a previous meeting of the Commission's board?

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

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

\*\*The auditor was reimbursed mileage at 51 cents per mile for attending the conference mentioned in #16 above. No reason was given as to why a personal vehicle was used instead of the Commission-owned vehicle.

MR The Auditor used her personal vehicle to transport items for the conference and to pick up other items in West Monroe. The Tax Clerk and Tax Officer came in the company vehicle the previous night to help set up for the conference.

\*\*Two employees were reimbursed \$21 and \$12 for two lunch meals a day before a conference began that the Commission was co-hosting in a city located 40 miles from the Commission's office. These same two employees were reimbursed \$25 each for their dinner meals the evening before the conference began the next day at 1 p.m. They were reimbursed \$10 each for Wednesday lunch before the conference began at 1 p.m. because a noon meal was not provided by the conference and \$15 each for a noon meal after the conference concluded on Friday at approximately 10:30 a.m.

MR The Tax Officer and the Tax Clerk came the previous day to set up for the conference. Although the agenda shows the conference ended soon after the 10:00 hour, the Administrator and the Auditor still had to pack up and wait for the hotel to add up the expenses to pay the bill at the two hotels that hosted the conference.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

\*\*All three expenses examined were reimbursed based on the Commission's travel and reimbursement policies but some of the reimbursements exceeded the GSA rates.

MR Concur with Auditor

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

\*\*These other matters were noted while performing the procedures related to the three reimbursed travel expenses. The auditor and two employees incurred hotel charges totaling \$1,275 (\$129 room fee per night plus taxes of \$13 per night) for three nights to attend the conference that the Commission was co-hosting in a city located 40 miles from the Commission's office that began at 1 p.m. on Wednesday and ended at approximately 10:30 a.m. on Friday. Two employees charged \$12 each to their hotel bill for a meal on the day the conference began. It was not documented as to if this was for breakfast or dinner. They were reimbursed for lunch as discussed in #19.a) above and dinner was provided at the conference. Assuming it was for the breakfast meal, again, this was for a meal even before the conference began.

MR See 19 A

\*\*The Commission did not present the appropriate documents for exemption from payment of the hotel taxes and a refund request of the taxes was not made by the Commission.

While the Commission's administrator and auditor attended an annual convention, there were hotel charges incurred for the auditor but not the administrator. Also, lunches were bought at approximately 12:15 p.m. the day the conference began at 12 noon and after the conference ended two days later at 12:30 at costs exceeding the GSA rates.

MR Hotel charges for the Administrator were charged on the wrong credit card which should only be used for LATA expenses. The mistake was discovered and the Commission wrote a check # 9735 on January 9<sup>th</sup>, 2017 to reimburse LATA.

MR The hotel exemption form was presented but as stated above in the response to 16A, hotels handle the occupational tax in a different way, depending on how they interpret the law. Prior to December 2016, the state of Louisiana exempted the state tax, but not the local tax. See La Dept. of Revenue- R-1376. There is nothing in the Revised Statutes that states the local occupational tax is exempted.

\*\*One of the tax clerks attended a convention alone and was given \$500 cash to cover expenses. She paid for lunch and dinner plus a hotel room the night before the convention began the next day at 1 p.m. She also purchased breakfast and lunch meals the day the conference began. She then paid for a lunch meal after the conference adjourned at 11:30 a.m. two days later. Amounts expended for each of the three lunches exceeded GSA rates. There was a \$25 fuel purchase but no documentation as to whether the employee used her personal vehicle or the Commission-owned vehicle and the number of miles traveled.

MR The Tax Officer drove the company vehicle to Baton Rouge to attend a LATA conference. This is a 3 ½-4 hour drive, depending on the traffic in Baton Rouge, which is awful on I-10, if you haven't been in the past couple of years. Being that the conference ended at 11:30, she had to stop for lunch. She arrived at the office at 5:10 pm.

\*\*The Commission-owned vehicle does not have public decals and a written log is not maintained as to the mileage and business purpose of each usage.

MR Concur with Auditor

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

\*\*All three of the reimbursements were reviewed and approved, in writing, by someone other than the person receiving reimbursement.

MR Concur with Auditor

### ***Contracts***

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

\*\*The Commission provided a listing of all contracts in effect during the fiscal period and representation that the listing was complete.

MR Concur with Auditor

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

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

\*\*Formal/written contracts that supported the service arrangement and fees were examined for each of the five contracts.

MR Concur with Auditor

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

- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Commission complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
- If no, obtain supporting contract documentation and report whether the Commission solicited quotes as a best practice.

\*\*All five contracts were for professional services (i.e. software, computer maintenance, and revenue recovery) with no quotes solicited. There was no evidence that a cost/benefit analysis was performed before considering contracting for these services.

MR Concur with Auditor

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

\*\*One of the five contracts was renewed during the current fiscal year but none of the contracts examined were amended during the current fiscal year.

MR Concur with Auditor

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

\*\*The five invoices and related payments complied with the terms and conditions of the contracts.

MR Concur with Auditor

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

\*\*The contracts for software and computer maintenance were considered by the Commission's administrator to be approved by the Board of Commissioners upon adoption of the budget. One of the revenue recovery contracts was approved back in 2004. The other two revenue recovery contracts were not approved by the Board of Commissioners and the administrator was of the opinion that approval was not required by the joint agreement (referenced in #2.a. above).

MR Concur with Auditor

\*\*For the past several years, no sales tax audits have been performed by employees of the Commission but all by contracted vendors. The employees only issue the assessments, collect, and pay the contracted vendors.

MR Concur with Auditor

### *Payroll and Personnel*

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

\*\*The Commission provided a listing of employees with their related salaries and representation that the listing was complete.

MR Concur with Auditor

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

\*\*The Commission only had four full-time employees; therefore, all were included in the selection. Payroll of \$164,441 was recorded for the fiscal year ended June 30, 2017 while \$165,585 was budgeted.

MR Concur with Auditor

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

\*\*Pay raises are incorporated into the budget and approved by the Board of Commissioners. For the fiscal year ended June 30, 2017, with the adoption of the applicable budget, the Commission's auditor and one tax clerk were given 3% salary increases while no salary adjustments were made to the administrator and other tax clerk's salaries.

MR Concur with Auditor

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

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

\*\*The selected employee documented their daily attendance and leave.

MR Concur with Auditor

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

\*\*There was no written documentation that anyone approved the attendance and leave of the selected employee. It was noted the majority of this employee's records were not even signed or dated by the employee.

MR Prior to any leave, employees email the Administrator to approve the absence. The Administrator keeps these emails in his sent box. The Administrator will review time sheets to insure they are signed by employees.

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

\*\*The Commission did maintain written leave records on the selected employee. The selected employee was the administrator and no one else approved his records at the individual or administrative level.

MR The Administrator notifies the Board Chairman when he is taking leave or any absence.

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

\*\*No instances of employees being terminated during the fiscal period were noted or disclosed by the Commission's administrator.

MR Concur with Auditor

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

\*\*Payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

MR Concur with Auditor

### *Ethics (excluding nonprofits)*

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

\*\*Of the Commission's four full-time employees, only one obtained ethics training during the fiscal year ended June 30, 2017. Compliance documentation was provided by that employee. The most recent training for the other three employees was completed in March 2016.

MR Concur with Auditor

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

\*\*The Commissioner's administrator stated in writing that there were no ethics violations during the fiscal year ended June 30, 2017. An allegation was reported to the board members of the Commission, the Commission's independent auditor, and the Legislative Auditor. The allegation was discussed with the Commission's administrator and auditor by the chairman and other board members of the Commission. The Commission has no written policies or procedures addressing ethics.

MR There was an anonymous letter sent by someone too cowardly to sign their name to it. It was full of false statements and innuendoes about the Administrator and the Auditor. The letter was typed and the envelope was hand written as if someone who is right handed wrote it with their left hand. It was not taken seriously by any of our board members and no ethics were violated.

#### *Debt Service (excluding nonprofits)*

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28. If debt was issued during the fiscal period, obtain supporting documentation from the Commission, and report whether State Bond Commission approval was obtained.

\*\*The Commission issued no debt during the fiscal period.

MR Concur with Auditor

29. If the Commission had outstanding debt during the fiscal period, obtain supporting documentation from the Commission and report whether the Commission made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

\*\*The Commission had no outstanding debt during the fiscal period.

MR Concur with Auditor

30. If the Commission had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

\*\*During the fiscal period, the Commission had no tax millages.

MR Concur with Auditor

#### *Other*

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31. Inquire of management whether the Commission had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the Commission reported the misappropriation to the legislative auditor and the district attorney of the parish in which the Commission is domiciled.

\*\*The Commissioner's administrator stated in writing that there were no misappropriations of public funds during the fiscal year ended June 30, 2017 but some of the documentation examined while performing the agreed-upon procedures may be construed otherwise.

MR Concur with Auditor

\*\*The purchase of candy to be distributed at festivals is prohibited as is the purchase of drinks consumed strictly by the Commission's employees. The Commission's administrator is a certified public accountant and his annual dues to the Society of Louisiana Certified Public Accountants were paid by the Commission. The certification is not required to be employed as the administrator. Quarterly dues totaling \$420 were paid during the fiscal year for the Commission's administrator to attend the local Lion's Club luncheon meetings.

MR We participate in Witch Way to Main Street every year. It is trick or treating on the Courthouse Square and it is available to any child who would like to attend. If this and the water delivered to our office as well as the coffee, creamer and sugar that we purchase are not allowed, we are not aware of it.

The Board approved payment to the Society of Louisiana Public Accountants in a board meeting dated January 26, 2006.

As for the Lion's Club meetings, it is good for the Administrator to be involved in the community. It promotes goodwill.

32. Observe and report whether the Commission has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at [www.la.gov/hotline](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

\*\*The Commission has posted the report on its premises and does not have a website.

MR Concur with Auditor

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

\*\*No exceptions regarding management's representations in the procedures above were noted other than those documented in this report.

MR Concur with Auditor

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is 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.

*/s/ Hill, Inzina & Co.*

November 10, 2017