

Terrebonne Parish Sales and Use Tax Department

Houma, Louisiana

For the year ended December 31, 2017

TABLE OF CONTENTS

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

	<u>Exhibit</u>	<u>Page Number</u>
Introductory Section		
Title Page		i
Table of Contents		ii - iv
Financial Section		
Independent Auditor's Report		1 - 3
Management's Discussion and Analysis		4 - 9
Financial Statements:		
Government-wide and Fund Financial Statements:		
Statement of Net Position and Governmental Fund Balance Sheet	A	10
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	B	11
Statement of Activities and Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance	C	12
Reconciliation of the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	D	13
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual – General Fund	E	14
Statement of Fiduciary Fund	F	15
Notes to Financial Statements	G	16 - 38

TABLE OF CONTENTS
(Continued)

	<u>Exhibit</u>	<u>Page Number</u>
Required Supplementary Information Section		
Schedule of Funding Progress for the OPEB Plan	H	39
Schedule of the Department’s Proportionate Share of the Net Pension Liability	I	40
Schedule of Department Contributions	J	41
Supplementary Information Section		
	<u>Schedule</u>	
Schedule of Other Services and Charges - Budget and Actual	1	42
Schedule of Collections on Behalf of Other Taxing Authorities – Parish Sales Tax Fund	2	43
Schedule of Cash Receipts and Disbursements - Parish Sales Tax Fund	3	44
Schedule of Governmental Fund Expenditures for the Years Ended December 31, 2017, 2016, 2015, 2014 and 2013.	4	45
Graph of Governmental Fund Expenditures for the Years Ended December 31, 2017, 2016, 2015, 2014 and 2013.	5	46
Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer	6	47
Special Reports Of Certified Public Accountants		
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		48 - 49
Schedule of Findings and Responses		50

TABLE OF CONTENTS
(Continued)

	<u>Page Number</u>
Reports By Management	
Schedule of Prior Year Findings and Responses	51
Management's Corrective Action Plan	52
Agreed-Upon Procedures	
Independent Accountant's Report on Applying Agreed-Upon Procedures	53
Schedule of Procedures and Associated Finding of the Statewide Agreed-Upon Procedures	7 54 - 72

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Sales and Use Tax Advisory Board,
Terrebonne Parish Sales and Use Tax Department,
Houma, Louisiana.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund and the Fiduciary Fund of the Terrebonne Parish Sales and Use Tax Department (the Department), a component unit of the Terrebonne Parish Consolidated Government, State of Louisiana, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Department'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 of 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 Department's preparation and fair presentation of the financial statements in order to

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund and Fiduciary Fund of Terrebonne Parish Sales and Used Tax Department as of December 31, 2017, and the respective changes in financial position for the governmental activities and the General Fund and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 9, the Schedule of Funding Progress for the OPEB Plan on page 39, the Schedule of the Department's Proportionate Share of the Net Pension Liability on page 40 and the Schedule of Department Contributions on page 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The information contained in Schedules 1 through 6 (the Schedule of Other Services and Charges-Budget and Actual, Schedule of Collections on Behalf of Other Taxing Authorities, Schedule of Cash Receipts and Disbursements Parish Sales Tax Fund, Schedule of Governmental Fund Expenditures, Graph of Governmental Fund Expenditures and Schedule of Compensation, Benefits, and Other Payments to Agency Head or Chief Executive Officer) for the year ended December 31, 2017 is the responsibility of management and was derived from and relates directly

to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

We also have previously audited, 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, the Governmental Balance Sheet and Statement of Fiduciary Fund of Terrebonne Parish Sales and Use Tax Department as of December 31, 2016, 2015, 2014 and 2013, and the related statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance for each of the four years in the period ended December 31, 2016 (none of which presented herein), and we expressed unmodified opinions on those financial statements. The information contained in Schedules 3 through 5 for the years ended December 31, 2016, 2015, 2014 and 2013, is the responsibility of management and was derived from and related directly to the accounting and other records used to prepare the financial statements as of and for the years ended December 31, 2016, 2015, 2014 and 2013. Such information for the years ended December 31, 2016, 2015, 2014 and 2013, in Schedules 3 through 5 has been subjected to auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other procedures in accordance with generally auditing procedures generally accepted in the United States of America. In our opinion, the information presented in Schedules 3 through 5 for the years ended December 31, 2016, 2015, 2014 and 2013, is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 22, 2018 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control over financial reporting and compliance.

Bougeson Bennett, L.L.C.
Certified Public Accountants.

Houma, Louisiana,
May 22, 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Terrebonne Parish Sales & Use Tax Department

The Management's Discussion and Analysis of the Terrebonne Parish Sales & Use Tax Department's (the Department) financial performance presents a narrative overview and analysis of the Department's financial activities for the year ended December 31, 2017. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Department's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of fiscal year 2017 by \$358,759, net deficit, which represents a 16.64% increase in the net deficit from the last fiscal year.

The Department is operated on a reimbursement basis with proceeds of sales and use taxes collected in Terrebonne Parish. Differences between revenues and expenses result from the reimbursement of purchases of capital assets, depreciation of capital assets and changes in long-term obligations. For the year ended December 31, 2017, revenues decreased \$125,505 (or 11.48%) primarily due to decreases in charges for services. Expenses decreased \$83,059 (or 7.54%) primarily due to decreases in other services and charges.

The Department collected a total of \$117,698,672 in sales taxes for outside agencies for the year ended December 31, 2017, which represents a \$1,401,438 decrease from the last fiscal year. This decrease is primarily due to an overall decrease in economic activity throughout Terrebonne Parish.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's annual report consists of four parts: (1) management's discussion and analysis (this section) (2) financial statements (3) supplementary information and (4) various governmental compliance reports and schedules by certified public accountants and management.

The financial statements include two kinds of statements that present different views of the Department:

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private sector business. The Statement of Net Position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position (deficit). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. The Statement of Activities presents information showing how the Department's net position changed during each fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activities of the Department are collecting local sales and use taxes, hotel/motel taxes, issuing occupational licenses and local bingo permits.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department maintains two types of funds, governmental and fiduciary fund types.

Governmental Fund

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department maintains one individual governmental fund. Information is presented in the Governmental Fund Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund. The Department adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The governmental fund financial statements can be found in pages 10 through 14 of this report.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Department. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent assets of the Department. Therefore, these assets are not presented as part of the government-wide financial statements. The Statement of Fiduciary Fund can be found on page 15 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit G of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Statement of Net Position reported on page 10 presents information on all the Department's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position (deficit). As noted earlier, a deficit exists because the Department is not reimbursed for long-term obligations until those obligations are paid. As of December 31, 2017, the net deficit amounted to \$358,759. A portion of the Department's net position (deficit), \$9,961, reflects its investment in capital assets (e.g., office furniture, fixtures and equipment) less accumulated depreciation. Consequently, this portion of the net position (deficit) is not available for future spending.

Long-term liabilities consist of other postemployment benefits, compensated absences and net pension liability.

Other liabilities are accounts payable and accrued expenditures. Accounts payable and accrued expenditures include fees for contract auditors, payroll liabilities and other various expenses.

Deferred outflows and inflows of resources are related to the net pension liability

Condensed Statements of Net Position

	<u>December 31,</u>		Dollar Change
	<u>2017</u>	<u>2016</u>	
Current and other assets	\$ 39,938	\$ 48,685	\$ (8,747)
Capital Assets	9,961	13,936	(3,975)
Deferred outflows of resources	<u>80,316</u>	<u>115,714</u>	<u>(35,398)</u>
Total assets and deferred outflows of resources	<u>130,215</u>	<u>178,335</u>	<u>(48,120)</u>
Long-term liabilities	435,738	423,897	11,841
Other liabilities	39,938	48,685	(8,747)
Deferred inflows of resources	<u>13,298</u>	<u>13,337</u>	<u>(39)</u>
Total liabilities and deferred inflows of resources	<u>488,974</u>	<u>485,919</u>	<u>3,055</u>
Net Position:			
Net investment in capital assets	9,961	13,936	(3,975)
Unrestricted (deficit)	<u>(368,720)</u>	<u>(321,520)</u>	<u>(47,200)</u>
Total net position (deficit)	<u>\$ (358,759)</u>	<u>\$ (307,584)</u>	<u>\$ (51,175)</u>

Governmental Activities

Governmental activities increased the Department's net deficit by \$51,175. The primary cause for this increase is unreimbursed increases in the long-term obligations of the OPEB Plan and net pension liability. Reimbursements for these costs occur in the period the costs are paid, while the expenses are recognized as benefits are earned.

Condensed Statement of Activities

	December 31,		Dollar Change	Percent Change
	2017	2016		
Revenues:				
Charges for services	\$ 963,240	\$ 1,087,894	\$ (124,654)	-11.46%
Licenses	4,200	5,000	(800)	-16.00%
Miscellaneous - other	125	176	(51)	-28.98%
Total revenues	<u>967,565</u>	<u>1,093,070</u>	<u>(125,505)</u>	-11.48%
Expenses:				
General Government	<u>1,018,740</u>	<u>1,101,799</u>	<u>(83,059)</u>	-7.54%
Decrease in net position	(51,175)	(8,729)	(42,446)	486.26%
Net position (deficit) :				
Beginning of year	<u>(307,584)</u>	<u>(298,855)</u>	<u>(8,729)</u>	2.92%
End of year	<u>\$ (358,759)</u>	<u>\$ (307,584)</u>	<u>\$ (51,175)</u>	16.64%

The Department is an expenditure driven entity resulting in decreased revenues from a decrease in reimbursed expenses incurred during the period. The Department's revenues represent transfers of sales and use tax proceeds from its Agency Fund to pay operating expenses of the Department.

On Exhibit C, the Department's expenses fall into five (5) categories: personal services; supplies and materials; other services and charges; repairs and maintenance; and depreciation. Of the five categories the largest is personal services, which includes salaries and related benefits, is responsible for \$573,729, which is 56.32% of total expenses for the year ended December 31, 2017. Personal services increased \$15,001 in comparison with 2016. The increase is primarily due to increases in expenses for postemployment benefits and pension. The next highest expense category, other services and charges, amounts to \$407,301, which represents 39.98% of total expenses. Other services and charges, which includes such expenses as contract auditing fees, legal fees, insurance, office machine rentals, software technology services, office rent, telephone, and miscellaneous expenses, decreased by \$94,282 in comparison with 2016. The decrease in other services and charges is primarily due to declining use of outside auditing firms for tax collection audits. The remaining expenses include supplies and materials, repairs and maintenance and depreciation. These expenses accounted for approximately four percent (3.70%) of total expenses in the year ended December 31, 2017.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Department's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. The General Fund is the chief operating fund of the Department. It is used to account for all financial resources except those that are required to be accounted for in another fund.

General Fund Budgetary Highlights

The Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for the General Fund (Exhibit E) displays the original budget, final budget and actual amounts in columns with a variance column showing the favorable or (unfavorable) difference of the actual and the final budget. The budget was amended once during the year.

A favorable expense variance of \$88,073 was primarily due to cuts in other services and charges from outside auditing firms. Since the Department is an expenditure driven entity with expenditures fully reimbursed, revenues report an unfavorable variance equal to the favorable variance of expenditures.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of the parties outside the Department. Schedule 3 on page 44 details the disbursements to other governmental units. Total cash disbursements for the year ended December 31, 2017 amounted to \$117,711,802, which represents a decrease of \$1,406,597. Decrease is primarily due to a decrease in economic activity throughout Terrebonne Parish. The two major governmental units that receive distributions are Terrebonne Parish School Board and Terrebonne Parish Consolidated Government.

CAPITAL ASSETS

Capital Assets

The Department's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$9,961 (net of accumulated depreciation). This investment in capital assets includes office furniture, fixtures and equipment (see table below).

	<u>2017</u>	<u>2016</u>
Office furniture, fixtures and equipment	\$ 96,959	\$ 96,959
Less accumulated depreciation	<u>86,998</u>	<u>83,023</u>
Total capital assets, net	<u>\$ 9,961</u>	<u>\$ 13,936</u>

The difference in capital assets values is due to depreciation. Additional information on the Department's capital assets can be found in the Note 3, Exhibit G of this report.

Long-Term Obligations

The Department reported a net pension liability of \$46,589 at December 31, 2017 reflecting a decrease of \$24,066. Other post-employment benefit obligations increased \$41,692 to \$357,066 at

December 31, 2017. Obligations for unpaid annual leave decreased \$5,785 primarily due to employee retirement and resignation. Unpaid annual leave obligations amounted to \$32,083 as of December 31, 2017

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Department considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Personal services has been increased to reflect a 12% in life, hospitalization and disability insurance.
- Other services and charges were increased due to general liability insurance and bank charges which have been on the rise the past few years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Mark Daigle, Director, Terrebonne Parish Sales Tax Department, P.O. Box 670, Houma, LA 70361.

**STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET**

Terrebonne Parish Sales and Use Tax Department

December 31, 2017

	<u>General Fund</u>	<u>Adjustments (Exhibit B)</u>	<u>Statement of Net Position</u>
Assets and deferred outflows of resources			
Cash	\$ 39,938		\$ 39,938
Capital assets:			
Depreciable, net of accumulated depreciation	<u>-</u>	<u>\$ 9,961</u>	<u>9,961</u>
Total current assets	39,938	9,961	49,899
Deferred Outflows of Resources	<u>-</u>	<u>80,316</u>	<u>80,316</u>
Total assets and deferred outflows of resources	<u>\$ 39,938</u>	<u>90,277</u>	<u>130,215</u>
Liabilities and deferred inflows of resources			
Accounts payables and accrued expenditures	\$ 37,781	-	37,781
Due to Terrebonne Parish Consolidated Government	2,157	-	2,157
Long-term liabilities:			
Due in more than one year	<u>-</u>	<u>435,738</u>	<u>435,738</u>
Total current and non-current liabilities	39,938	435,738	475,676
Deferred Inflows of Resources	<u>-</u>	<u>13,298</u>	<u>13,298</u>
Total liabilities and deferred inflows of resources	<u>39,938</u>	<u>449,036</u>	<u>488,974</u>
Fund Balances/Net Assets			
Fund balance - unassigned	<u>-</u>		
Total liabilities and fund balances	<u>\$ 39,938</u>		
Net position:			
Net investment in capital assets		9,961	9,961
Unrestricted (deficit)		<u>(368,720)</u>	<u>(368,720)</u>
Total net position (deficit)		<u>\$ (358,759)</u>	<u>\$ (358,759)</u>

See notes to financial statements.

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

Terrebonne Parish Sales and Use Tax Department

December 31, 2017

Fund Balances - Governmental Fund	\$	-
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	\$ 96,959	
Less accumulated depreciation	<u>(86,998)</u>	9,961
Deferred outflows of resources used in governmental activities are not financial resources and are not reported in governmental funds		
		80,316
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Other postemployment benefit obligation	\$ (357,066)	
Net pension liability	(46,589)	
Compensated absences payable	<u>(32,083)</u>	(435,738)
Deferred inflows of resources will not be recognized in the current period and are not reported in governmental funds		
		<u>(13,298)</u>
Net Position (Deficit) of Governmental Activities	\$	<u>(358,759)</u>

See notes to financial statements.

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

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

	<u>General Fund</u>	<u>Adjustments (Exhibit D)</u>	<u>Statement of Activities</u>
Revenues			
Charges for services	\$ 963,240		\$ 963,240
Licenses	4,200		4,200
Miscellaneous - other	125		125
	<u>967,565</u>		<u>967,565</u>
Total revenues	<u>967,565</u>		<u>967,565</u>
Expenditures/Expenses			
Current:			
General government:			
Personal services	526,529	\$ 47,200	573,729
Supplies and materials	28,872	-	28,872
Other services and charges	407,301	-	407,301
Repairs and maintenance	4,863	-	4,863
Depreciation	-	3,975	3,975
	<u>967,565</u>	<u>51,175</u>	<u>1,018,740</u>
Total expenditures/expenses	<u>967,565</u>	<u>51,175</u>	<u>1,018,740</u>
Excess of Revenues Over Expenditures	-	-	-
Change in Net Position	-	(51,175)	(51,175)
Fund Balance/Net Position (Deficit)			
Beginning of year	<u>-</u>	<u>(307,584)</u>	<u>(307,584)</u>
End of year	<u>\$ -</u>	<u>\$ (358,759)</u>	<u>\$ (358,759)</u>

See notes to financial statements.

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

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

Net Change in Fund Balance - Governmental Fund		\$ -
Amounts reported for governmental activities in the Statement of Activities are different because:		
<p>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.</p>		
Depreciation expense		(3,975)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental fund.</p>		
Increase in other postemployment benefits	\$ (41,692)	
Pension expense	(11,293)	
Decrease in compensated absences payable	5,785	(47,200)
Change in Net Position of Governmental Activities		<u>\$ (51,175)</u>

See notes to financial statements.

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

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Charges for services	\$ 1,231,307	\$ 1,050,915	\$ 963,240	\$ (87,675)
Licenses	5,200	4,600	4,200	(400)
Miscellaneous - other	200	123	125	2
Total revenues	1,236,707	1,055,638	967,565	(88,073)
Expenditures				
Current:				
General government:				
Personal services	604,657	533,119	526,529	6,590
Supplies and materials	43,600	32,473	28,872	3,601
Other services and charges	578,950	483,718	407,301	76,417
Repairs and maintenance	9,500	6,328	4,863	1,465
Total expenditures	1,236,707	1,055,638	967,565	88,073
Excess of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

STATEMENT OF FIDUCIARY FUND**Terrebonne Parish Sales and Use Tax Department**

December 31, 2017

	<u>Agency Fund</u>
Assets	
Cash	\$ 10,465,239
Taxes receivable	<u>11,692,375</u>
Total assets	<u>\$ 22,157,614</u>
Liabilities	
Accounts payables and accrued expenditures	\$ 7,592
Taxes paid under protest and interest	202,612
Due to other governmental units:	
Terrebonne Parish School Board	10,045,294
Terrebonne Parish Consolidated Government	5,901,403
Terrebonne Parish Consolidated Government - Library	975,786
Terrebonne Parish Consolidated Government - Levee District	975,786
Terrebonne Parish Sheriff	1,951,572
Terrebonne Levee and Conservation District	1,934,680
Houma Area Convention & Visitors Bureau	<u>162,889</u>
Total liabilities	<u>\$ 22,157,614</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Terrebonne Parish Sales and Use Tax Department**

December 31, 2017

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Terrebonne Parish Sales and Use Tax Department was created October 14, 1964, in compliance with Act 500 of 1964, of the State of Louisiana. The Sales and Use Tax Department administers the collection and distribution of the approved 5.50% sales tax, hotel/motel tax, occupational licenses and bingo permits.

Tax collections, after deducting operating expenses, are distributed in the month following receipt. The first levy of 1% made in 1964 is divided between the Terrebonne Parish School Board, which receives 33%, and the Terrebonne Parish Consolidated Government, which receives 67% (split evenly between the former Terrebonne Parish Police Jury and City of Houma). There were two levies made for a total 1% in 1976 which the Terrebonne Parish School Board receives 75%, and the Terrebonne Parish Consolidated Government receives 25%. The 1/4% levy effective January 1, 1987 is remitted to the Terrebonne Parish Law Enforcement Department. The two 1/4% levies effective January 1, 1993 are remitted to the Terrebonne Parish Consolidated Government with 1/4% dedicated to Drainage and 1/4% dedicated to Roads and Bridges. The 1% levy effective July 1, 1996 is remitted to the Terrebonne Parish School Board. The 1/4% levy effective October 1, 1997 is remitted to the Terrebonne Parish Law Enforcement Department. The 1/4% levy effective July 1, 1998 is remitted to the Terrebonne Parish Consolidated Government which is dedicated to the Library System. The 1/4% levy effective July 1, 2002 is remitted to the Terrebonne Parish Consolidated Government, which is dedicated to be used as matching funds for the Terrebonne Levee and Conservation Department's Morganza-to-the-Gulf Project. The 1/2% levy effective April 1, 2013 is remitted to Terrebonne Levee and Conservation Department. The 1/2% levy effective April 1, 2015 is remitted to the Terrebonne Parish School Board which is to be used for paying salaries and benefits for teachers and other personnel. The Hotel/ Motel tax of 5% is remitted solely to the Houma Area Convention and Visitors Bureau.

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Reporting Entity

The Department is a component unit of the Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2017.

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

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the Department and the potential component unit.
4. Imposition of will by the Department on the potential component unit.
5. Financial benefit/burden relationship between the Department and the potential component unit.

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

b) Basis of Presentation

The Department's financial statements consist of the government-wide statements on all of the non-fiduciary activities of the Department and the governmental fund financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Presentation (continued)

Government-wide Financial Statements:

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

Fund Financial Statements:

The daily accounts and operations of the Department are organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Governmental resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the Department are grouped, into generic fund types and two broad categories as follows:

Governmental activities presented as governmental funds in the fund financial statements:

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

Fiduciary Fund:

Agency Fund - This fund is used to account for and report assets that the Department holds for others in an agency capacity. Since by definition these assets are being held for the benefit of others and cannot be used to address activities or obligations of the Department, this fund is not incorporated into the governmental-wide statements.

c) Measurement Focus and Basis of Accounting

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Measurement Focus and Basis of Accounting (continued)

Government-wide Financial Statements:

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

Fund Financial Statements:

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

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Charges for collection and distribution services of sales taxes are considered "measurable" when the related sales taxes are in the hands of the merchants and are recognized as revenue at that time. Licenses and miscellaneous revenues are recorded as revenues when received in cash by the Department because they are generally not measurable until actually received.

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

Agency Funds are unlike all other types of funds, report only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Use of Estimates

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

e) Operating Budgetary Data

The Department establishes the budgetary data reflected in the financial statements as follows:

The Director submits, to the members of the Sales and Use Tax Advisory Board, a proposed operating budget for the year commencing the following January 1. The public hearings and advertisements, which are required by state law, are conducted prior to approval by the Advisory Board. The budget is then submitted to the Parish Council. All actions necessary to adopt and otherwise finalize and implement the budget for an ensuing year are taken prior to the end of the year in progress. Any amendment involving the transfer of monies from one department to another or from one program or function to another or any other increases in expenditures exceeding amounts estimated must be approved by the Advisory Board. The Department amended its budget once during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

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

The General Fund budget presentation is included in the financial statements.

f) Accounts Receivable

The financial statements of the Department do not contain an allowance for uncollectible accounts. Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the funds.

g) Capital Assets

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Capital Assets (continued)

Government-wide Financial Statements:

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

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful life of assets (furniture and fixtures) is 5-20 years.

Fund Financial Statements:

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

h) Non-Current Liabilities

The accounting treatment of non-current liabilities depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All non-current liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. Non-current liabilities consist of accrued compensated absences (vacation and sick leave), obligations for retirement (net pension liability) and other postemployment benefits (group health insurance).

Fund Financial Statements:

Non-current liabilities for governmental funds are not reported as liabilities in the fund financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Vacation and Sick Leave

Employees of the Department can earn twelve or seventeen days per year vacation leave, depending on their length of employment.

All employees are required to take vacation within one year of being earned. Any unused vacation remaining on the employee's anniversary date will be transferred to sick leave. In the event the employee is terminated or resigns, all vacation leave not transferred to sick leave will be paid to them.

Employees of the Department earn seven days of sick leave per year. Upon official retirement from the Parochial Retirement System, the retiring employee will be allowed to receive half of whatever accumulated sick leave time has accrued, up to a maximum of 30 days, by leaving work early and remaining on the payroll until the 30 days are exhausted.

The liability for vacation and sick leave is recorded as a non-current liability in the government-wide statements. In the fund financial statements, governmental funds report only the vacation and sick leave liability payable from expendable available financial resources, accordingly no significant compensated absences liability is recorded at December 31, 2017.

j) 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 Parochial Employees' Retirement System of Louisiana (the System) and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. 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.

k) Deferred Outflows of Resources

In addition to assets, the Statement of Net Position and Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department has pension related deferred outflows.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position and Balance Sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenues from pension related deferred inflows in the Department's government-wide statements. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

m) Fund Equity

Government-wide Statements:

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. At December 31, 2017, the Department did not report any borrowings.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2017 and for the year then ended, the Department did not have or receive restricted net position.

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Fund Equity (continued)

- b. Restricted – Amounts for which constraints have been placed on the use by externally imposed donors, grantors, creditors, or government laws and regulations, or imposed by law through constitutional provisions or enabling legislation.
- c. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department’s Advisory Board.
- d. Assigned – Amounts that are constrained by the Department’s intent to be used for a specific purpose but do not meet the criteria for restricted or committed. Assignments may be assigned by the Department’s Director
- e. Unassigned – All other spendable amounts.

For the classification of governmental fund balances, the Department considers an expenditure to be made from the most restrictive fund balance first when more than one classification is available.

n) New GASB Statements

During the year ending December 31, 2017, the Department implemented the following GASB Statements:

Statement No. 74, “*Financial Reporting for Postemployment Benefit Plans other than Pension Plans*” addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria and follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments and also sets forth note disclosure requirements for defined contribution OPEB plans. This statement did not affect the Department’s financial statements.

Statement No. 80, “*Blending Requirement for Certain Component Units*” improves financial reporting by clarifying the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This requirement enhances comparability and decision usefulness of financial statements among governments. This statement did not affect the Department’s financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New GASB Statements (continued)

Statement No. 81, "*Irrevocable Split Interest Agreements*" provided recognition and measurement guidance for situation in which a government is a beneficiary of an irrevocable split interest agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split interest agreement recognize assets, liabilities and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in agreements administered by third parties. Governments are required by this Statement to recognize revenue when the resources become applicable to the reporting period. This Statement enhances comparability and decision usefulness of financial statements among governments. This statement did not affect the Department's financial statements.

Statement No. 82, "*Pension Issues*" addresses several issues raised with respect to Statements No. 67, "*Financial Reporting for Pension Plans*," No. 68, "*Accounting and Financial Reporting for Pensions*," and No. 73, "*Accounting and Financial Reporting for Pensions and Related Assets that are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*." Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This statement did affect the Department's financial statements.

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

Statement No. 75, "*Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions*" replaces the requirements of GASB Statement No. 45. This Statement requires governments to report a liability on the face of the financial statements for the OPEB that they provide: governments that are responsible only for OPEB liabilities related to their own employees and that provide OPEB through a defined benefit OPEB plan administered through a trust that meets specified criteria will report a net OPEB liability, governments that participate in a cost-sharing OPEB plan that is administered through a trust that meets the specified criteria will report a liability equal to their proportionate share of the collective OPEB liability for all entities participating in the cost-sharing plan and governments that do not provide

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New GASB Statements (continued)

OPEB through a trust that meets specified criteria will report the total OPEB liability related to their employees. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 83, "*Certain Asset Retirement Obligations*" addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 84, "*Fiduciary Activities*" improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 85, "*Omnibus 2017*." On March 20, 2017, GASB issued "*Omnibus 2017*" covering four main topics: blending component units; goodwill, fair value measurement and application; and postemployment benefits. "*Omnibus 2017*" is effective for fiscal years beginning after June 15, 2017. However, due to the nature of topic covered, GASB is allowing the option of early implementation for single topics. Management has not yet determined the effect of this Statement on the financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New GASB Statements (continued)

Statement No. 86, "*Certain Debt Extinguishment Issues*" improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Statement No. 87, "*Leases*" increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. Management has not yet determined the effect of this Statement on the financial statements.

Note 2 - DEPOSITS

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

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

Note 2 - DEPOSITS (Continued)

The year end balances of deposits are as follows:

	Bank Balance	Reported Amounts
Cash	\$ 10,545,519	\$ 10,505,177

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department has a written policy for custodial credit risk, which reflects state law. As of December 31, 2017, \$10,295,519 of the Department's bank balance of \$10,545,519 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, and are deemed to be held in the Department's name by state statutes.

At December 31, 2017, cash in excess of the FDIC insurance was adequately collateralized in accordance with state law, by securities held by an unaffiliated bank for the account of the Department. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

A reconciliation of deposits as shown on the Statement of Net Position and Governmental Fund Balance Sheet is as follows:

Book Balance	\$ 10,505,177
Less cash reported in the Statements of Fiduciary Fund	<u>(10,465,239)</u>
Cash - Statement of Net Position and Governmental Fund Balance Sheet	<u>\$ 39,938</u>

Note 3 - CHANGES IN CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Capital assets being depreciated:				
Office furniture, fixtures and equipment	\$ 96,959	\$ -	\$ -	\$ 96,959
Less accumulated depreciation for:				
Office furniture, fixtures and equipment	<u>(83,023)</u>	<u>(3,975)</u>	<u>-</u>	<u>(86,998)</u>
Total capital assets, net	<u>\$ 13,936</u>	<u>\$ (3,975)</u>	<u>\$ -</u>	<u>\$ 9,961</u>

Note 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES

Accounts payable and accrued expenditures at December 31, 2017 consisted of the following:

	General Fund	Agency Fund	Total
Vendors	\$ 16,427	\$ 7,592	\$ 24,019
Salaries and benefits	<u>21,354</u>	<u>-</u>	<u>21,354</u>
	<u>\$ 37,781</u>	<u>\$ 7,592</u>	<u>\$ 45,373</u>

Note 5 - NON-CURRENT LIABILITIES

Non-current liabilities consist of accumulated earned and unpaid vacation and sick leave, other postemployment benefits and net pension liability. The following is a summary of changes in the non-current liabilities of the Department for the year ended December 31, 2017:

	Payable January 1, 2017	Increase/ Earned	Decrease/ Used	Payable December 31, 2017
Accumulated unpaid annual leave	\$ 37,868	\$ 26,958	\$ (32,743)	\$ 32,083
Other postemployment benefits	315,374	74,262	(32,570)	357,066
Defined benefit pension plan	<u>70,655</u>	<u>-</u>	<u>(24,066)</u>	<u>46,589</u>
Totals	<u>\$ 423,897</u>	<u>\$ 101,220</u>	<u>\$ (89,379)</u>	<u>\$ 435,738</u>

Note 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

The Department administers a single employer defined benefit healthcare plan (the Plan). The Plan provides for the payment of medical, dental and life insurance premiums for eligible employees, retirees and their dependents as approved by the Terrebonne Parish Council. For employees retiring before January 1, 2005 the Department funds the entire premium for all benefits on employees retiring with at least ten years of service upon retiring from the formal retirement systems.

Department employees retiring on or after January 1, 2005 with at least ten years of permanent full-time creditable service with the Department shall be eligible to participate in the Plan approved by the Parish Council under the following vesting schedule: 11 to 15 years of service, 2.75% per year; 16 to 20 years of service 41.25% plus 3.75% per year of service; 21 years or more of service, 60% plus 5% per year of service, limited to 85% of the premium. Employees hired after December 31, 2013 with at least 30 years of permanent full-time creditable service, age 55 and 5 years of participation in the Department's group health insurance plan immediately prior to retirement shall be eligible to participate in the Plan with benefits limited to 80% of premiums. A retired employee may provide dependent hospitalization coverage at applicable dependent rates. To be eligible for coverage after retirement, retired employees must be eligible for retirement under the Parochial Employees' Retirement System, see Note 7. The Department does not issue a publicly available financial report on the Plan.

Funding Policy

The Department fully funds required premiums based on pay-as-you-go financing requirements. For fiscal year 2017, the Department paid \$26,971 for the retirees' current year premiums.

Annual OPEB Cost and Net OPEB Obligation

The Department's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table on the next page shows the components of the Department's annual OPEB cost for the year, the premiums actually paid and changes in the Department's net OPEB liability.

Note 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Annual required contributions (ARC)	\$	74,491
ARC Adjustment		(11,267)
Interest on net OPEB obligation		11,038
Annual OPEB cost (expense)		74,262
Contributions made		(32,570)
Increase in net obligation		41,692
Balance - Beginning of the year		315,374
Balance - end of the year	\$	357,066

The Department's annual OPEB cost, the percentage of annual OPEB premiums paid, and the net OPEB obligation as of December 31, 2017 is as follows:

Fiscal Year End	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
12/31/2015	\$ 43,380	51.74%	\$ 286,395
12/31/2016	74,283	60.99%	315,374
12/31/2017	74,262	43.86%	357,066

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$1,384,069. Covered payroll for eligible employees was \$315,933 and the total UAAL represents 438.1 percent of covered payroll.

Actuarial valuations involve 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. Actuarially determined amounts 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 as required supplementary information, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Actuarial Methods and Assumptions

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and eligible employees and retirees) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing benefit costs between the employer and eligible employees and retirees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets.

In January 1, 2016 actuarial valuations, the entry age-normal actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (discount rate), a 3.0 percent expected increase in payroll and annual medical cost trend rate of 7.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after five years. The annual dental cost trend was initially 3.5 percent, reduced by decrements to an ultimate rate of 3.0 percent after three years. Zero trends were assumed for valuing life insurance. Other assumptions include (1) expenses per participant per month are expected to increase with inflation at 2.5 percent per annum, (2) 60 percent of employees will choose to continue basic life insurance benefits, (3) family coverage includes a spouse and no children, and (4) male spouses are three years older than females. The RPH – 2014 Employee Mortality Table was used for pre-retirement, while post-retirement used RPH-2014 Healthy Annuitant Mortality Table. Generational with projection scale MP-2015 was applied to the tables. The UAAL is being amortized over an open 30 year period using the level percent of payroll method with an assumption that payroll increases by 3 percent per year. The remaining amortization period at January 1, 2016 was 21 years.

Note 7 - DEFINED BENEFIT PENSION PLAN

Plan Description. The Department contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (System), a cost-sharing, multiple-employer defined benefit pension plan established by Act 205 of the 1952 regular session of the Legislature of the State of Louisiana to provide retirement benefits to all employees of any parish in the State of Louisiana or any governing body or a parish which employs persons serving the parish. Act 765 of the year 1979, established by the Legislature of the State of Louisiana, revised the System to create Plan A and Plan B to replace the "regular plan" and the "supplemental plan". Plan A was designated for employers out of Social Security. Plan B was designated for those employers that remained in Social Security on the revision date. The Retirement System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through 2025, specifically and other general laws of the State of Louisiana.

Note 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Benefits Provided. The System provides retirement, deferred retirement, disability and death benefits. Retirement benefits are generally equal to 2.0% of the member's final average compensation multiplied by the years of creditable service. For members hired prior to January 1, 2007 they may retire with full benefits at age 55 upon completing 30 years of service, retire at age 60 after completing 10 years of service or retire at age 65 after completing 7 years of service. For members hired after January 1, 2007 they may retire with full benefits at age 55 after completing 30 years of service, retire at age 62 after completing 10 years of service or retire at age 67 after completing 7 years of service.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. When a member enters DROP their status changes from active to retired even though they continue to work and draw their salary for up to three years. During the three year period, employer contributions continue but employee contributions cease. The election to participate in DROP is irrevocable once participation begins. Retirement benefits that would be paid, had the person ceased employment, are paid into the DROP account. Upon termination of employment a participant in DROP may receive a lump sum equal to payments into the participant's account, an annuity or a roll over to an Individual Retirement Account. Members hired before January 1, 2007 with 5 or more years of service who becomes disabled may receive retirement benefits determined in the same manner as retirement benefits. Members hired after January 1, 2007 with 7 or more years of service who become disabled may receive retirement benefits determined in the same manner as retirement benefits. Death benefits are payable to eligible surviving dependents based on the deceased member's years of creditable service and compensation and the dependent's relationship to the deceased member. The System provides permanent benefit increases, cost of living adjustments (COLA) as approved by the State Legislature.

Contributions. According to state statute, contributions for all employers are actuarially determined each year. For the year ending December 31, 2017, the actuarial employer contribution rate was 7.20% of member's compensation. However, the actual rate for the fiscal year ending December 31, 2017 was 8.00%.

According to state statute, the System also receives $\frac{1}{4}$ of 1% of ad valorem taxes collected within the respective parishes, except for Orleans and East Baton Rouge parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Note 7 - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions to the System from the Department were \$27,984 for the year ended December 31, 2017.

Pension Liabilities. At December 31, 2017, the Department reported a liability of \$46,589 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2017, the Department's proportion was 0.358629%, which was a decrease of 0.03821% from its proportion measured as of December 31, 2016.

Pension Expense. For the year ended December 31, 2017, the Department recognized pension expense of \$39,277.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At December 31, 2017, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (13,298)
Net difference between projected and actual earnings on pension plan investments	46,512	-
Change in proportionate share	263	-
Changes in assumptions	5,557	-
Contributions subsequent to the measurement date	27,984	-
	\$ 80,316	\$ (13,298)

The Department reported \$27,984 as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Note 7 - DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended December 31st,	Total
2018	\$ 13,012
2019	16,106
2020	11,227
2021	(1,311)
Total	\$ 39,034

Actuarial Assumptions. A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2016 are as follows:

Valuation Date	December 31, 2016
Actuarial Cost Method	Entry Age Method
Actuarial Assumptions:	
Expected Remaining Service Lives	4 years
Investment Rate of Return	7.00%, net investment expense, including inflation
Projected Salary Increases	5.25% (2.50% Inflation, 2.75% merit)
Mortality Rates	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct was selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increases not yet authorized by the Board of Trustees.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing method (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan

Note 7 - DEFINED BENEFIT PENSION PLAN (Continued)

investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.66% for the year ended December 31, 2016.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2016 are as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	35.00%	1.24%
Equity	52.00%	3.63%
Alternatives	11.00%	0.67%
Real assets	2.00%	0.12%
 Total	 100.00%	 5.66%
 Inflation		 2.00%
 Expected Arithmetic Nominal Rate		 <u>7.66%</u>

Discount Rate. The discount rate used to measure the collective pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Department's Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate. The following presents the Department's proportionate share of the collective net pension liability using the discount rate of 7.00%, as well as what the Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.00%) or one percentage-point higher (8.00%) than the current rate as presented on the following page:

Note 7 - DEFINED BENEFIT PENSION PLAN (Continued)

	1.0% Decrease (6.00%)	Current Discount Rate (7.00%)	1.0% Increase (8.00%)
Department's proportionate share of the net pension liability (asset)	\$ 177,118	\$ 46,589	\$(63,596)

Pension Plan Fiduciary Net Position. The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on their financial statements for the year ended December 31, 2016. Access to the audit report can be found on the System's website, www.persla.org or on the Louisiana Legislative Auditor's website, www.la.gov.

Note 8 - COMPENSATION OF ADVISORY BOARD

The Department did not pay per diem to any of its Board Members in 2017.

Note 9 - RELATED PARTY RENTS AND FEES

The building housing the Department's office space is owned by the Parish. The lease term is January 1, 2016 to December 31, 2018. Rental expenditures incurred for the office space with the Parish amounted to \$47,168 during the year ended December 31, 2017.

Also, the Department incurred data processing fees with the Parish in the amount of \$15,532 for the year ended December 31, 2017.

Note 10 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to workers compensation; torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and group health benefits for which the Department carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation and group insurance. No settlements were made during the year that exceeded the Department's insurance coverage. The Department pays monthly premiums to the Parish for general liability based on various factors such as its operations and maintenance budget, exposure and claims experience. The premiums for workers' compensation are based on a fixed percentage of payroll. The premiums for group insurance are based on a fixed rate per employee. The Parish handles all claims filed against the Department for which it has insurance coverage under the Parish.

The Department could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

Policy	Coverage Limits
General Liability	\$ 10,000,000
Workers' Compensation	Statutory

Note 10 - RISK MANAGEMENT (Continued)

Coverage for general liability claims in excess of the above stated limits are to be funded first by assets of the Parish's risk management internal service fund, \$5,208,857 at December 31, 2016, then secondly by the Department. The Parish is self-insured for the first \$175,000 of each claim relating to group health insurance. The aggregate deductible for all group claims relating to group insurance for 2016 was \$19,880,318. Insurance contracts cover the excess liability on individual claims. Covered employees are subject to a lifetime maximum claims limit. Coverage for group health claim liabilities are to be funded first by assets of the Parish's group health internal service fund, \$238,436 at December 31, 2016, then secondly by the Department. Worker's compensation claims in excess of \$550,000 are covered under an insurance contract for claims aggregate up to limits are to be funded first by assets of the Parish's workers' compensation internal service fund. At December 31, 2017, the Department had no claims in excess of the above coverage limits. Total premiums paid to the Parish for insurance coverage during the year ended December 31, 2017 totaled \$144,115.

Note 11 - COMMITMENTS AND CONTINGENCIES

Presently, three taxpayers have paid taxes in protest with the aggregate of taxes and interest paid under protest amounting to \$202,612 which has been recognized as a liability in the financial statements of the Fiduciary Fund at December 31, 2017.

Note 12 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through May 22, 2018 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN

Terrebonne Parish Sales and Use Tax Department

December 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Percentage of Covered Payroll ((b-a)/c)
1/1/2012	-	\$ 916,805	\$ 916,805	0.00%	\$ 363,712	252.1%
1/1/2014	-	800,577	800,577	0.00%	359,099	222.9%
1/1/2016	-	1,384,069	1,384,069	0.00%	315,933	438.1%

**SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY**

Terrebonne Parish Sales and Use Tax Department

December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Department's proportion of the net pension liability	0.358629%	0.396838%	0.401743%
Department's proportionate share of the net pension liability	\$ 46,589	\$ 70,655	\$ 31,085
Department's covered-employee payroll	\$ 357,260	\$ 381,423	\$ 368,388
Department's proportionate share of the net pension liability as a percentage of its covered-employee payroll	13.041%	18.524%	8.438%
Plan fiduciary net position as a percentage of the total pension liability	94.15%	92.23%	99.15%

SCHEDULE OF DEPARTMENT CONTRIBUTIONS**Terrebonne Parish Sales and Use Tax Department**

December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 27,984	\$ 28,581	\$ 34,328
Contributions in relation to the contractually required contribution	(27,984)	(28,581)	(34,328)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Department's covered-employee payroll	<u>\$ 349,799</u>	<u>\$ 357,260</u>	<u>\$ 381,423</u>
Contributions as a percentage of covered-employee payroll	8.00%	8.00%	9.00%

SUPPLEMENTARY INFORMATION SECTION

SCHEDULE OF OTHER SERVICES AND CHARGES
BUDGET AND ACTUAL

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Auditing services	\$ 400,000	\$ 340,910	\$ 267,253	\$ 73,657
Auto and travel	8,000	3,190	2,092	1,098
Insurance	30,500	31,000	31,000	-
Legal fees:				
Attorneys	43,150	36,392	32,207	4,185
Attorney revenue fees	(3,000)	(6,102)	(5,451)	(651)
Office machine rentals	23,250	14,386	16,604	(2,218)
Office rent	47,200	46,568	47,168	(600)
Other	17,350	10,700	10,430	270
Telephone	12,500	6,674	5,998	676
Totals	<u>\$ 578,950</u>	<u>\$ 483,718</u>	<u>\$ 407,301</u>	<u>\$ 76,417</u>

SCHEDULE OF COLLECTIONS ON BEHALF OF OTHER TAXING AUTHORITIES
PARISH SALES TAX FUND

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

	<u>Total Collections</u>	<u>Collection Cost</u>	<u>Final Distribution</u>
Terrebonne Parish Consolidated Government (1.67%)			
Parish Tax (.59%)	\$ 12,243,793	\$ 90,252	\$ 12,153,541
Parish Drainage (.25%)	5,247,340	39,553	5,207,787
Parish Roads and Bridges (.25%)	5,247,340	39,553	5,207,787
City of Houma (.33%)	6,996,453	50,700	6,945,753
Levee District (.25%)	5,247,236	39,553	5,207,683
	<u>34,982,162</u>	<u>259,611</u>	<u>34,722,551</u>
Terrebonne Parish Library (.25%)	<u>5,247,340</u>	<u>39,553</u>	<u>5,207,787</u>
Terrebonne Levee and Conservation District (.50%)	<u>10,400,411</u>	<u>79,105</u>	<u>10,321,306</u>
Terrebonne Parish School Board (2.58%)	<u>54,049,250</u>	<u>408,712</u>	<u>53,640,538</u>
Terrebonne Parish Sheriff's Office (.50%)	<u>10,494,681</u>	<u>79,106</u>	<u>10,415,575</u>
Terrebonne Parish - Occupational Licenses	<u>1,369,030</u>	<u>70,006</u>	<u>1,299,024</u>
Houma Area Convention & Visitors Bureau	<u>1,155,798</u>	<u>28,987</u>	<u>1,126,811</u>
Totals	<u>\$ 117,698,672</u>	<u>\$ 965,080</u>	<u>\$ 116,733,592</u>

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
PARISH SALES TAX FUND

Terrebonne Parish Sales and Use Tax Department

For the years ended December 31, 2017, 2016, 2015, 2014, and 2013

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Cash at beginning of year	\$ 9,240,937	\$ 10,311,077	\$ 10,573,151	\$ 10,876,509	\$ 9,143,897
Cash receipts:					
Sales and use taxes (net of refunds)	116,393,570	115,379,730	125,726,958	134,757,447	125,520,643
Hotel/motel taxes	1,159,481	1,200,180	1,506,826	1,700,399	1,298,007
Occupational license (net of refunds)	1,368,127	1,449,048	1,512,154	1,486,638	1,450,620
Miscellaneous:					
Interest	340	1,413	1,537	2,509	4,170
Other	14,586	17,888	8,924	10,940	15,380
Total cash receipts	<u>118,936,104</u>	<u>118,048,259</u>	<u>128,756,399</u>	<u>137,957,933</u>	<u>128,288,820</u>
Total cash available	<u>128,177,041</u>	<u>128,359,336</u>	<u>139,329,550</u>	<u>148,834,442</u>	<u>137,432,717</u>
Cash disbursements:					
Distributions to other governmental units:					
Terrebonne Parish School Board	53,640,538	54,180,437	55,766,049	56,096,628	53,563,449
Terrebonne Parish Consolidated Government	30,813,893	31,200,178	35,044,337	39,559,573	37,808,986
Terrebonne Parish Sheriff	10,415,575	10,522,236	11,858,414	13,463,191	12,855,228
Terrebonne Parish Consolidated Government - Library	5,207,787	5,261,118	5,929,207	6,731,595	6,427,614
Terrebonne Parish Consolidated Government - Levee District	5,207,683	5,261,118	5,929,207	6,731,595	6,427,614
Terrebonne Levee & Conservation District	10,321,306	10,410,722	11,720,351	12,846,583	6,991,104
Houma Area Convention & Visitors Bureau	1,126,811	1,179,147	1,498,391	1,630,313	1,252,249
Distributions to the General Fund	968,598	1,097,103	1,266,320	1,194,210	1,219,447
Miscellaneous	9,611	6,340	6,197	7,603	10,517
Total cash disbursements	<u>117,711,802</u>	<u>119,118,399</u>	<u>129,018,473</u>	<u>138,261,291</u>	<u>126,556,208</u>
Cash at end of year	<u>\$ 10,465,239</u>	<u>\$ 9,240,937</u>	<u>\$ 10,311,077</u>	<u>\$ 10,573,151</u>	<u>\$ 10,876,509</u>

SCHEDULE OF GOVERNMENTAL FUND EXPENDITURES**Terrebonne Parish Sales and Use Tax Department**

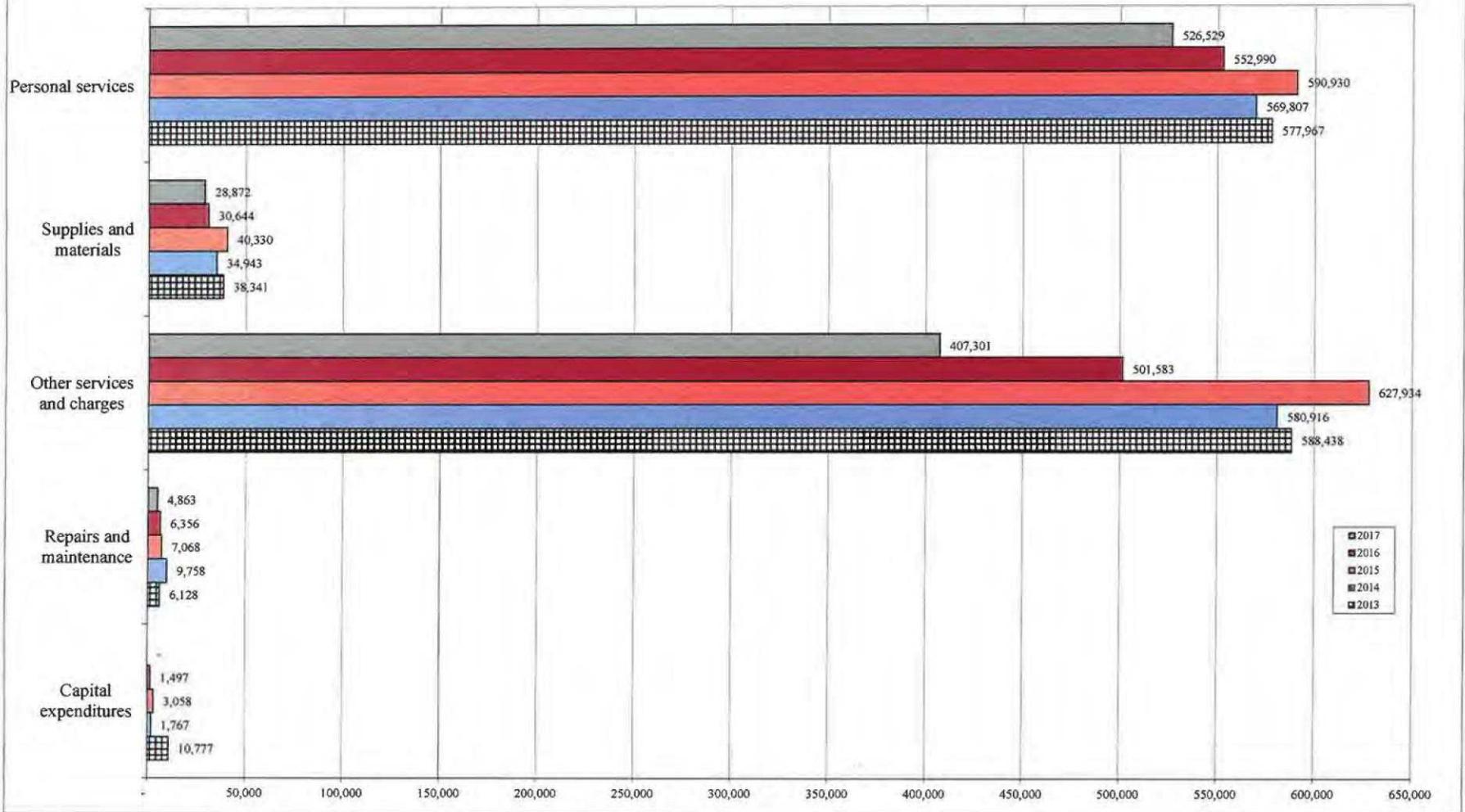
For the years ended December 31, 2017, 2016, 2015, 2014, and 2013

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Expenditures - General Government					
Personal services:					
Salaries and wages	\$ 357,921	\$ 366,903	\$ 398,578	\$ 377,963	\$ 366,880
Payroll taxes	25,301	25,838	28,301	26,649	25,736
Employee benefits	143,307	160,249	164,051	165,195	185,351
Total personal services	<u>526,529</u>	<u>552,990</u>	<u>590,930</u>	<u>569,807</u>	<u>577,967</u>
Supplies and materials	<u>28,872</u>	<u>30,644</u>	<u>40,330</u>	<u>34,943</u>	<u>38,341</u>
Other services and charges:					
Auditing services	267,253	353,881	475,570	414,427	408,137
Auto and travel	2,092	4,817	6,990	5,918	6,397
Insurance	31,000	29,747	21,235	26,633	29,053
Legal fees:					
Attorneys	32,207	33,730	32,447	32,361	38,166
Attorney fee revenue	(5,451)	(9,224)	(2,600)	(3,020)	(3,872)
Office machine rentals	16,604	15,792	21,136	33,365	44,006
Office rent	47,168	47,168	47,168	47,168	44,986
Other	10,430	14,572	13,983	13,125	12,299
Telephone	5,998	11,100	12,005	10,939	9,266
Total other services and charges	<u>407,301</u>	<u>501,583</u>	<u>627,934</u>	<u>580,916</u>	<u>588,438</u>
Repairs and maintenance	<u>4,863</u>	<u>6,356</u>	<u>7,068</u>	<u>9,758</u>	<u>6,128</u>
Capital expenditures	<u>-</u>	<u>1,497</u>	<u>3,058</u>	<u>1,767</u>	<u>10,777</u>
Total general government	<u>\$ 967,565</u>	<u>\$ 1,093,070</u>	<u>\$ 1,269,320</u>	<u>\$ 1,197,191</u>	<u>\$ 1,221,651</u>

GOVERNMENTAL FUND EXPENDITURES

Terrebonne Parish Sales and Use Tax Department

For the years ended 2017, 2016, 2015, 2014, and 2013



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

Terrebonne Parish Consolidated Government

December 31, 2017

Agency Head Name: Mark Daigle

Purpose	Daigle
Salary	\$ 80,950
Benefits - insurance	17,177
Benefits - retirement	6,476
Benefits - other	-
Car allowance	1,815
Vehicle provided by government	-
Per diem	-
Reimbursements	669
Travel	-
Registration fees	400
Conference travel	184
Continuing professional education fees	-
Housing	-
Unvouchered expenses	-
Meals	-
	<u> </u>
	<u>\$ 107,671</u>

Note: Mark Daigle is the Director of the Department and functions as the Chief Executive Officer.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Sales and Use Tax Advisory Board,
Terrebonne Parish Sales and Use Tax Department,
Houma, Louisiana.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Terrebonne Parish Sales and Use Tax Department (the Department), a component unit of Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated May 22, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department'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 Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Department's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Bouges & Bennett, L.L.C.
Certified Public Accountants.

Houma, Louisiana,
May 22, 2018.

SCHEDULE OF FINDINGS AND RESPONSES

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

Section I Summary of Auditor's Results

a) Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not
 considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

b) Federal Awards

Terrebonne Parish Sales and Use Tax Department did not expend federal awards during the year ended December 31, 2017.

Section II Financial Statement Findings

No financial statement findings were noted during the audit for the year ended December 31, 2017.

Section III Federal Award Findings and Questioned Costs

Not applicable.

REPORTS BY MANAGEMENT

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2016.
No significant deficiency(ies) were reported during the audit for the year ended December 31, 2016.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2016.

Section II Internal Control and Compliance Material to Federal Awards

Terrebonne Parish Sales and Use Tax Department did not expend federal awards during the year ended December 31, 2016.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2016.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Terrebonne Parish Sales and Use Tax Department

For the year ended December 31, 2017

Section I Internal Control and Compliance Material to the Financial Statements

Internal Control

No material weaknesses were reported during the audit for the year ended December 31, 2017. No significant deficiency(ies) were reported during the audit for the year ended December 31, 2017.

Compliance

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2017.

Section II Internal Control and Compliance Material to Federal Awards

Terrebonne Parish Sales and Use Tax Department did not expend federal awards during the year ended December 31, 2017.

Section III Management Letter

A management letter was not issued in connection with the audit for the year ended December 31, 2017.

AGREED-UPON PROCEDURES

INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

To the Sales and Use Tax Advisory Board
Terrebonne Parish Sales and Use Tax Department,
Houma, LA.

We have performed the procedures described in Schedule 7, which were agreed to by the Terrebonne Parish Sales and Use Tax Department (the Department) 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 year ended December 31, 2017. The Department's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the AICPA. 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 referred to above, either for the purpose for which this report has been requested, or for any other purpose.

The procedures and associated findings are described in Schedule 7.

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 these C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is 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 23:513, this report is distributed by the LLA as a public document.

Bourgeois Bennett, L.L.C.
Certified Public Accountants

Houma, Louisiana,
May 22, 2018.

Schedule of Procedures and Associated Findings of the
Statewide Agreed-upon Procedures
Terrebonne Parish Sales and Use Tax Department
For the year ended December 31, 2017

The required procedures and our findings are as follows:

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

1. Obtain the Department'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 Department does not have any written policies and procedures), as applicable:

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget

Performance: Obtained and read the written policy for budgeting.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Performance: Obtained and read the written policy for purchasing.

Exceptions: The policy did not contain a provision about how purchases are initiated, how vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders, and documentation required to be maintained for all bids and price quotes.

Management's response: Management will consider adding these provisions to their existing purchasing policy.

- c) Disbursements, including processing, reviewing, and approving

Performance: Obtained and read the written policy for disbursements, and found it to contain the requirements included above.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's written policies and procedures: (Continued)

- d) Receipts, including receiving, recording, and preparing deposits
Performance: Obtained and read the written policy for receipts, and found it to contain the requirements included above.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
Performance: Obtained and read the written policy for payroll and personnel.
Exceptions: While the Department has a written payroll and personnel policy, it does not contain the provisions listed above.
Management's response: Management will consider updating the payroll/personnel policy with the provisions listed above.
- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
Performance: Inquired of management as to a written contracting policy.
Exceptions: There was no evidence of a contracting policy maintained by the Department.
Management's response: Management will consider drafting a contracting policy with the provisions listed above.
- 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
Performance: Inquired of management as to a written credit card policy.
Exceptions: Credit cards are not used by the Department.
Management's response: Not applicable.
- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
Performance: Obtained and read the written policy for travel and expense reimbursement.
Exceptions: The policy did not contain a provision about dollar thresholds by category of expense.
Management's response: Management will consider adding the above provision to the policy.

Procedures performed on the Department's written policies and procedures: (Continued)

- 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, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Performance: Obtained and read the written policy for ethics.

Exceptions: The policy did not contain provisions about the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, system to monitor possible ethics violations, and requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Management's response: Management will consider adding the provisions listed above to the ethics policy.

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

Performance: Inquired of management as to a debt service policy.

Exceptions: Management confirmed there was no debt service.

Management's response: Not applicable.

Procedures performed on the Department's board:

- 2. Obtain and review the board/committee 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.

Performance: Obtained and read the written minutes of board meetings. Both meetings has a quorum.

Exceptions: There was no exception noted.

Management's response: Not applicable.

- 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).

Performance: Inspected meeting minutes and inquired of management as to monthly budget-to-actual comparison.

Exceptions: There was no reference to budget-to-actual comparisons in the meeting minutes nor were budget-to-actual comparisons included in the board members packet for each board meeting.

Management's response: Management will consider including monthly budget-to-actual comparisons in the financial statements given to advisory board members.

Procedures performed on the Department's board: (Continued)

- 1) 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.

Performance: Inspected meeting minutes and inquired of management as to monthly budget-to-actual comparison.

Exceptions: There was no reference to budget-to-actual comparisons in the meeting minutes nor were budget-to-actual comparisons included in the board members packet for each board meeting.

Management's response: Management will consider including monthly budget-to-actual comparisons in the financial statements given to advisory board members.

- 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.

Performance: Inspected the board's meeting minutes for the fiscal year and noted non-budgetary financial information in the form of approvals of audit report and new bank.

Exceptions: There were no exceptions noted.

Management's response: Not applicable

Procedures performed on the Department's bank reconciliations:

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

Performance: Obtained the listing of bank accounts from management, and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

4. Using the listing provided by management, select all of the Department's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 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;

Performance: Obtained monthly bank reconciliations for the accounts tested. Inspected management's documentation for accuracy of bank reconciliations.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's bank reconciliations: (Continued)

- 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

Performance: Inspected the Department's documentation for each monthly bank reconciliation for all five accounts tested. The director reviews and approves each bank reconciliation as evidenced by his signature.

Exceptions: There was no exception noted.

Management's response: Not applicable.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Performance: Inspected documents for items outstanding for more than 6 months. None were noted.

Exceptions: There was no exception noted.

Management's response: Not applicable.

Procedures performed on the Department's collections:

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

Performance: Observed the listing of cash/check/money order (cash) collection locations from management and received management's representation in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

6. Using the listing provided by management, select all of the Department'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 5 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.

Performance: Inspected policy manuals and inquired of client as to all requirements listed above. All employees who collect cash are bonded and are not responsible for depositing cash, recording the transaction, or reconciling the bank account.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's collections: (Continued)

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity 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.

Performance: Inspected policy manual and reviewed receipts, daily deposit logs, general ledger transactions, and reconciliation reports. The accountant receives a copy of all collection transactions completed at the window and inputs the transactions into the daily deposit log and reconciles to the total collections as per the returns.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- 1) Using the Department'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.

Performance: The Department's primary funding source is through the collections of sales tax returns from businesses throughout Terrebonne Parish. The test population was based upon all collections recorded in all revenue accounts. A sample of 25 cash receipts were tested.

Exceptions: Through inspection of documentation and inquiry of the client, there was one instance when cash/check collected was not deposited within one day. The collection took two working days to be deposited.

Management's response: Management will make every effort to ensure that deposits are made within one day.

- 2) 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.

Performance: Inspected the Department's daily deposit log, deposit slip, copies of returns and receipts, and recorded transactions. Noted that all collections tested were supported by adequate documentation.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's collections:

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the Department has a process specifically defined (identified as such by the Department) 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.

Performance: Inquired of management as to separation of duties. The accountant is responsible for creating daily deposit logs to reconcile to daily collections at the window.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments):

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

Performance: Obtained the completed general ledger for the fiscal period and obtained management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

9. Using the disbursement population from #8 above, select 25 disbursements (or select disbursements constituting at least one-third of the dollar disbursement population if the entity 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.

Performance: Haphazardly selected 25 disbursements from the Operating General Ledger. Requested the disbursement's supporting documentation, as well as inquiries of management.

Exceptions: There was no documentary evidence management approvals of the purchase prior to making the purchase were secured.

Management's response: Management will consider using a formal, written purchase order/requisition system.

Procedures performed on the Department's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

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

Performance: Inspected documentation and inquired of management as to purchase approval process.

Exceptions: There was no documentary evidence management approvals of the purchase prior to making the purchase were secured.

Management's response: Management will consider using a formal, written purchase order/requisition system.

- c) Payments for purchases were not processed without 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.

Performance: Inspected documentation and inquired of management as to the processing of payments. All payments for goods were processed after signature of receipt of goods and approval of invoice by Director.

Exceptions: All payments for services were processed only after approval of the invoice; no receipt of goods or services was documented for 21 items.

Management's response: Management will consider requiring all invoices to be paid include documentary evidence of receipt of goods or services.

10. Using the Department'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 Department's purchasing/disbursement system.

Performance: Inspected policy, performed a walkthrough of the system and inquired of management as to separation of duties.

Exceptions: The accountant is responsible for processing payments and has access to add vendors to the purchasing/disbursement system; however, there is a mitigating control that approvals other than the accountant have to be obtained before any vendors can be added.

Management's response: Not applicable.

Procedures performed on the Department's general disbursements (excluding credit card, debit card, fuel card, P-card purchases or payments): (Continued)

11. Using the Department'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.

Performance: Inspected documentation and inquired of management about signatory authority.

Exceptions: The accountant has the ability to process payment and sign checks. However, it was noted that the Department limits the use the Accountant's signature on checks to when the Director or the Account Supervisor are not in the office. Every effort is made to process checks when the Director and Account Supervisor are available to sign checks.

Management's response: Not applicable.

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 Department's documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

Performance: Inquired of management, as well as observed where the supply of unused checks is held. All unused checks are maintained in a locked file cabinet in the accountant's office. Both the Accountant and the Director have a key to the file cabinet.

Exceptions: The accountant and the director have signatory authority.

Management's response: Management will consider having a different individual maintain the supply of unused checks.

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.

Performance: Inquired of management as to whether there is a signature stamp or machine. The Department does not use a signature stamp or machine. Signed checks if not mailed the same day are kept in a locked file cabinet.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's credit cards, debit cards, fuel cards, p-cards:

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.

Performance: Observed the listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) from management and received management's representation in a separate letter. It was noted that the Department does not have any credit cards, debit cards, fuel cards, or P-cards.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

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.

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

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

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

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

**Procedures performed on the Department's credit cards, debit cards, fuel cards, p-cards:
(Continued)**

- a) For each transaction, report whether the transaction is supported by:
 - 1) An original itemized receipt (i.e., identifies precisely what was purchased)
 - Performance: Not applicable.
 - Exceptions: Not applicable.
 - Management's response: Not applicable.
 - 2) Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Performance: Not applicable.
 - Exceptions: Not applicable.
 - Management's response: Not applicable.
 - 3) Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
 - Performance: Not applicable.
 - Exceptions: Not applicable.
 - Management's response: Not applicable.
- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the Department'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.
 - Performance: Not applicable.
 - Exceptions: Not applicable.
 - Management's response: Not applicable.
- c) For each transaction, compare the Department'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.
 - Performance: Not applicable.
 - Exceptions: Not applicable.
 - Management's response: Not applicable.

Procedures performed on the Department's travel and expense reimbursements:

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.

Performance: Obtained a list of all travel and related expense reimbursements.
Management's representation of the listing was confirmed in a separate letter.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

18. Obtain the Department'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 (www.gsa.gov) and report any amounts that exceed GSA rates.

Performance: Inspected travel and expense reimbursement policy. The policy references the IRS guidelines which are the GSA rates.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

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 Department does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

Performance: Selected the three employees who incurred the most travel costs during the fiscal year to further select the highest travel expenditure reimbursed. Compared the expense documentation to the applicable rates.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

- b) Report whether each expense is supported by:

- 1) An original itemized receipt that identifies precisely what was purchased.

Performance: Traced expense reimbursement with expense report.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.

Procedures performed on the Department's travel and expense reimbursements: (Continued)

- 2) Documentation of the business/public purpose.
Performance: Traced expense reimbursement to expense report. Business purpose was documented on the expense reimbursement report.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
- 3) Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
Performance: Inspected travel and expense reimbursement policy. No additional documentation required.
Exceptions: There was no exception noted.
Management's response: Not applicable.
- c) Compare the Department'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.
Performance: Inspected the business/public purpose of all travel reimbursements selected and compared them to Article 7, Section 14 of the Louisiana Constitution.
Exceptions: There were no exceptions noted.
Management's response: Not applicable.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.
Performance: Inspected documentation of travel expenditures selected for review and approval signature. The Director approves all travel and expense reports and reimbursements.
Exceptions: It was noted that the Director approves his own expense reimbursement.
Management's response: Management will consider requiring a different individual to approve the Director's expense report and reimbursement.

Procedures performed on the Department's contracts:

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.

Procedures performed on the Department's contracts: (Continued)

Performance: Observed the listing of contracts in effect during the fiscal year from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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 auditor). 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.

Performance: Obtained the listing of contract vendors and selected the contract "vendors" that were paid the most money during the fiscal year. Inspected the written contract that supports the service agreements. The Department only has contracts with 4 vendors during the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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:

1) If yes, obtain/compare supporting contract documentation to legal requirements and report whether the Department complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)

Performance: Inspected supporting documentation and inquired of client about any contracts subject to Louisiana Public Bid Law. None of the contracts were subject to Louisiana Public Bid Law.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

2) If no, obtain supporting contract documentation and report whether the Department solicited quotes as a best practice.

Performance: Inspected supporting documentation and inquired of client about contracts. None of the contracts were subject to Louisiana Public Bid Law. These contracts also did not require obtaining additional quotes.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's contracts: (Continued)

- 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.

Performance: Inspected contract and inquired of client about any amendments to contracts during the fiscal year. There were no contract amendments.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- d) Select the largest payment from each of the 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.

Performance: Inspected the invoice and compared to the written contract information. The invoice and related payment complied with the terms of the contract.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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).

Performance: Inspected contract documentation. All were approved by the Director.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's payroll and personnel:

22. Obtain a listing of employee with their related salaries, and obtain management's representation that the listing is complete. Select five employees/officials, obtain their personnel files, and:

Performance: Observed the listing of employees with their related salaries from management, and received management's representation of completeness in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- a) 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.

Procedures performed on the Department's payroll and personnel: (Continued)

Performance: Compared hourly rates to the employer's pay rate structure with payments made to employees during the fiscal year.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

- 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.

Performance: Traced the hourly pay rate changes during the fiscal year to the pay scale.

Pay rate changes were approved by the Director and the Advisory Board.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

23. Obtain attendance and leave records and select one pay period in which leave has been taken by at least one employee. Within that pay period, select 25 employees/officials (or select one-third of employees/officials if the entity 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).

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

Exceptions: Daily attendance was not documented for salaried employees.

Management's response: Management will implement daily attendance documentation and approval procedures.

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

Performance: Inquired of management about attendance and leave records. Daily attendance records are not maintained, however, employees are required to complete an application for leave to be approved by the Director.

Exceptions: Daily attendance was not documented for salaried employees.

Management's response: Management will implement daily attendance documentation and approval procedures.

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

Performance: Inquired and confirmed the Department maintains written leave records for each employee eligible for paid leave. Leave records are maintained electronically in an Excel spreadsheet maintained by the Accountant.

Procedures performed on the Department's payroll and personnel: (Continued)

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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.

Performance: Inquired and inspected list of employees that terminated during the fiscal year. Management's representation of completeness was completed in a separate letter. There were 2 employees terminated during the fiscal year. Obtained the personnel file and traced to the employee's final written leave records. All termination payments were approved by the Director and were made in strict accordance with the personnel policy.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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.

Performance: Inspected payroll reporting forms, as well as cancelled checks to confirm that all payments were submitted to the applicable agencies by the required deadlines.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's ethics:

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

Performance: Observed the ethics course completion certificates for the five employees tested.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's ethics: (Continued)

27. Inquire of management whether any alleged ethics violations were reported to the Department 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 Department's ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Performance: Inquired of management of any ethics violations, none were noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

Procedures performed on the Department's debt service:

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

Performance: Inquired of management as to issuance of debt during the fiscal year. No debt was issued during the fiscal year.

Exceptions: Not applicable.

Management's response: Not applicable.

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

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

30. If the Department 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.

Performance: Not applicable.

Exceptions: Not applicable.

Management's response: Not applicable.

Other procedures performed on the Department:

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

Performance: Inquired of management of any misappropriations of public funds or assets, none were noted.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

32. Observe and report whether the Department 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) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

Performance: Inquired and observed such notice posted on the premises and on the website.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.

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

Performance: Inspected all procedures, and the results of such procedures and compared them to management's representations in a separate letter.

Exceptions: There were no exceptions noted.

Management's response: Not applicable.