

**NATCHITOCHEs TAX COMMISSION**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2018**

Natchitoches Tax Commission  
Financial Report  
Year Ended June 30, 2018

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Natchitoches Tax Commission  
Financial Report  
Year Ended June 30, 2018

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# NATCHITOCHEs TAX COMMISSION

P. O. Box 639  
Natchitoches, LA 71457

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Natchitoches Tax Commission's (hereafter referred to as the Commission) annual financial report presents an overview and analysis of the Commission's financial activities as of and for the fiscal year ended June 30, 2018. The intent of the MD&A is to look at the Commission's financial performance as a whole. It should, therefore be read in conjunction with this report. Certain comparative information is presented to provide an overview of the Commission's operations.

### Financial Highlights

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and presents a longer-term view of the Commission's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

#### Government-Wide Financial Statements

- The Statement of Net Position presents all of the Commission's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the Commission's net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.
- The Statement of Activities presents information showing how the Commission's net position changed during the current 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. Therefore, some revenues and some expenses that are reported in this statement will not result in cash flows until future years.

#### Fund Financial Statements

The services provided by the Commission are financed through a governmental fund. 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 Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Commission conducts its day-to-day operations through a governmental fund, the General Fund. These statements provide a short-term view of the Commission's finances and assists in determining whether there will be adequate financial resources available to meet the current needs of the Commission. The Commission also maintains a Fiduciary Fund, in which these funds are simply held for other parties and cannot be used for any of the Commission's activities, it is not included in the government-wide statement, but is separately reported in the statement of the Fiduciary Fund.

A summary of the basic government-wide financial statements is as follows:

Summary of Statement of Net Position

|                                  | <u>2018</u>      | <u>2017</u>      |
|----------------------------------|------------------|------------------|
| ASSETS:                          |                  |                  |
| Current Assets                   | \$808,185        | \$790,291        |
| Capital assets, Net              | <u>156,841</u>   | <u>166,939</u>   |
| Total Assets                     | <u>\$965,026</u> | <u>\$957,230</u> |
| DEFERRED OUTFLOWS OF RESOURCES   | <u>\$103,883</u> | <u>\$107,427</u> |
| LIABILITIES:                     |                  |                  |
| Current liabilities              | \$ 27,634        | \$ 32,060        |
| Long-term liabilities            | <u>557,420</u>   | <u>643,113</u>   |
| Total Liabilities                | <u>\$585,054</u> | <u>\$675,173</u> |
| DEFERRED INFLOWS OF RESOURCES    | <u>\$123,330</u> | <u>\$ 16,392</u> |
| NET POSITION:                    |                  |                  |
| Net Investment in Capital Assets | \$156,841        | \$166,939        |
| Unrestricted                     | <u>203,684</u>   | <u>206,153</u>   |
| Total Net Position               | <u>\$360,525</u> | <u>\$373,092</u> |

## Summary of Statement of Activities

|                                  | <u>2018</u>        | <u>2017</u>      |
|----------------------------------|--------------------|------------------|
| REVENUES:                        |                    |                  |
| Charges for Services             | \$ 173,725         | \$152,144        |
| Operating Grants & Contributions | 431,450            | 418,009          |
| Miscellaneous                    | <u>5,200</u>       | <u>4,721</u>     |
| Total Revenues                   | <u>\$610,375</u>   | <u>\$574,874</u> |
| EXPENSES:                        |                    |                  |
| General Government               | <u>\$622,942</u>   | <u>\$555,146</u> |
| Change in Net Position           | <u>\$ (12,567)</u> | <u>\$ 19,728</u> |

- The Commission's assets exceeded its liabilities by \$360,525 (net position) for the year and by \$373,092 for the prior year.
- Unrestricted net position of \$203,684 represents the portion available to maintain the Commission's obligation to both citizens and creditors. For the prior year, this was \$206,153, a decrease of \$2,469 for the year.

General Fund Budgetary Highlights

The actual revenues were \$24,053 more than the budgeted amount for the year and actual expenditures were \$4,132 more than the budgeted amount for the year. For the year ended June 30, 2018, revenues and expenditures were within the 5% variance allowed.

Economic Factors and Next Year's Budget

The primary revenue source is the charges for services received from the different taxing bodies based on a pro-rata basis on the ratio that the taxes collected for each bears to the total taxes collected for all during the preceding month. Any significant long-term decrease in sales tax would have an impact on the office operations. As there are minimal changes expected in the next fiscal year, the budget for FY 2018/2019 should not significantly differ from FY 2017/2018.

Contacting the Commission

This financial report is designed to provide our citizens and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Natchitoches Tax Commission, P. O. Box 639, Natchitoches, LA 71457.

# Johnson, Thomas & Cunningham

## Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation  
Roger M. Cunningham, CPA – A Professional Corporation  
Jessica H. Broadway, CPA – A Professional Corporation  
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### INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Natchitoches Tax Commission  
P. O. Box 639  
Natchitoches, La 71457

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund and fiduciary fund of the Natchitoches Tax Commission as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund and fiduciary fund information of the Commission as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As described in Note 1 G to the financial statements, the Commission has adopted the provisions of GASB Statement 75 *Actuarial Valuation of Other Post-employment Benefits – Amendment of GASB Statement 45*. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedules, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, and Reporting Fraud and Misappropriations, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is presented for purposes of additional analysis and 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.

The Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer listed as required supplementary information and the Schedule of Changes in Fiduciary Net Position listed as supplementary information in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

We have applied certain limited procedures to the Management's Discussion and Analysis 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 introductory section because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The Budgetary Comparison Schedule, Schedule of Employer's Share of Net Pension Liability, Schedule of Employer Contributions, Schedule of Changes in Net OPEB Liability and Related Ratios, Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer, Statement of Changes in Fiduciary Net Position, and Reporting Fraud Misappropriations listed as required supplementary information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures,

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2018, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*Report on Other Legal and Regulatory Requirements*

In accordance with the requirements of the Louisiana Legislative Auditor, we have issued a report, dated December 14, 2018, on the results of our statewide agreed-upon procedures performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards*. The purpose of that report is solely to describe the scope of testing performed on those control and compliance areas identified in the Louisiana Legislative Auditor's statewide agreed-upon procedures, and the results of that testing, and not to provide an opinion on control or compliance.

*Johnson, Thomas + Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

December 14, 2018  
Natchitoches, Louisiana

## BASIC FINANCIAL STATEMENTS

See independent auditor's report.

GOVERNMENT-WIDE  
FINANCIAL STATEMENTS

Natchitoches Tax Commission  
Statement of Net Position  
June 30, 2018

|                                  | Governmental<br><u>Activities</u> |
|----------------------------------|-----------------------------------|
| ASSETS:                          |                                   |
| Current Assets:                  |                                   |
| Cash & Cash Equivalents          | \$221,627                         |
| Investments                      | 528,185                           |
| Revenue Receivable               | 53,854                            |
| Prepaid Expenses                 | <u>4,519</u>                      |
| Total Current Assets             | \$808,185                         |
| Non-current Assets:              |                                   |
| Capital Assets, Net              | <u>156,841</u>                    |
| Total Assets                     | <u>\$965,026</u>                  |
| DEFERRED OUTFLOWS OF RESOURCES:  | <u>\$103,883</u>                  |
| LIABILITIES:                     |                                   |
| Current Liabilities:             |                                   |
| Accounts Payable                 | \$ 1,335                          |
| Payroll Liabilities              | <u>26,299</u>                     |
| Total Current Liabilities        | \$ 27,634                         |
| Long-term Liabilities:           |                                   |
| Net Pension Asset                | (33,166)                          |
| Other Post-Employment Benefits   | 578,450                           |
| Accrued Compensated Absences     | <u>12,136</u>                     |
| Total Long-term Liabilities      | <u>\$557,420</u>                  |
| Total Liabilities                | <u>\$585,054</u>                  |
| DEFERRED INFLOWS OF RESOURCES:   | <u>\$123,330</u>                  |
| NET POSITION:                    |                                   |
| Net Investment in Capital Assets | \$156,841                         |
| Unrestricted                     | <u>203,684</u>                    |
| Total Net Position               | <u>\$360,525</u>                  |

The accompanying notes are an integral part of the financial statements.

Natchitoches Tax Commission  
Statement of Activities  
June 30, 2018

| <u>Activities</u>        | <u>Expenses</u>  | <u>Program Revenues</u><br>Charges<br>For<br>Services | <u>Operating</u><br>Grants and<br>Contributions | <u>Net (Expense)</u><br>Revenue and Changes<br>in Net Position<br>Governmental Activities |
|--------------------------|------------------|---|---|---|
| Governmental Activities: |                  |   |   |   |
| General Government       | <u>\$622,942</u> | <u>\$173,725</u>                                      | <u>\$431,450</u>                                | <u>\$ (17,767)</u>  |
|                          |                  |   |   |   |
|                          |                  | General Revenues:                                     |   |   |
|                          |                  |   |   | 1,878   |
|                          |                  |   |   | <u>3,322</u>  |
|                          |                  |   |   |   |
|                          |                  |   |   | <u>5,200</u>  |
|                          |                  |   |   |   |
|                          |                  |   |   | \$ (12,567)   |
|                          |                  |   |   |   |
|                          |                  |   |   | <u>373,092</u>  |
|                          |                  |   |   |   |
|                          |                  |   |   | <u>\$360,525</u>  |

The accompanying notes are an integral part of the financial statements.

## FUND FINANCIAL STATEMENTS

Natchitoches Tax Commission  
Balance Sheet-Governmental Fund  
June 30, 2018

|                                    | Governmental<br><u>Fund</u> |
|------------------------------------|-----------------------------|
| ASSETS:                            |                             |
| Cash & Cash Equivalents            | \$221,627                   |
| Investments                        | 528,185                     |
| Revenue Receivable                 | 53,854                      |
| Prepaid Expense                    | <u>4,519</u>                |
| Total Assets                       | <u>\$808,185</u>            |
| LIABILITIES:                       |                             |
| Accounts Payable                   | \$ 1,335                    |
| Payroll Liabilities                | <u>26,299</u>               |
| Total Liabilities                  | <u>\$ 27,634</u>            |
| FUND BALANCE:                      |                             |
| Nonspendable- Prepaid Expense      | \$ 4,519                    |
| Unassigned                         | <u>776,032</u>              |
| Total Fund Balance                 | <u>\$780,551</u>            |
| Total Liabilities and Fund Balance | <u>\$808,185</u>            |

See notes to financial statements.

Natchitoches Tax Commission  
Reconciliation of the Governmental Fund  
Balance Sheet to the Statement of Net Position  
June 30, 2018

|   |                   |
|---|-------------------|
| Total Fund Balance for the Governmental Fund<br>at June 30, 2018  | \$780,551         |
| Amounts reported for Governmental Activities<br>in the Statement of Net Position is different because:  |                   |
| Capital Assets used in Governmental Activities are not<br>current financial resources and, therefore, are not<br>reported in the fund. Those assets consist of:           |                   |
| Capital Assets  | 267,218           |
| Less, Accumulated Depreciation  | (110,377)         |
| Deferred Outflows of Resources used in Governmental Activities<br>are not financial resources and, therefore, are not reported in the<br>Governmental Fund Balance Sheet- | 103,883           |
| Long-term Liabilities are not due and payable<br>in the current period and, therefore, are not reported in the<br>Governmental Fund Balance Sheet-                        |                   |
| Net Pension Asset   | 33,166            |
| Other Post-Employment Benefits  | (578,450)         |
| Accrued Compensated Absences  | (12,136)          |
| Deferred Inflows of Resources are not due and payable in the<br>current period and, therefore, are not reported in the<br>Governmental Fund Balance Sheet-                | <u>(123,330)</u>  |
| Total Net Position of Governmental Activities<br>at June 30, 2018   | <u>\$ 360,525</u> |

See notes to financial statements.

Natchitoches Tax Commission  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
Year Ended June 30, 2018

|                                      | Governmental<br><u>Fund</u> |
|--------------------------------------|-----------------------------|
| REVENUES:                            |                             |
| Charges for Services                 | \$173,725                   |
| Intergovernmental Revenue            | 431,450                     |
| Interest Income                      | <u>1,878</u>                |
| Total Revenues                       | <u>\$607,053</u>            |
| EXPENDITURES:                        |                             |
| Current-                             |                             |
| Personnel Services                   | \$402,826                   |
| Travel                               | 6,001                       |
| Supplies                             | 7,784                       |
| Professional Services                | 47,080                      |
| Operating Services                   | 119,744                     |
| Capital Outlay                       | <u>1,298</u>                |
| Total Expenditures                   | <u>\$584,733</u>            |
| Excess of Revenues over Expenditures | \$ 22,320                   |
| Fund Balance-Beginning of Year       | <u>758,231</u>              |
| Fund Balance-End of Year             | <u>\$780,551</u>            |

See notes to financial statements.

Natchitoches Tax Commission  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of the Governmental Fund  
to the Statement of Activities  
For the Year Ended June 30, 2018

|  |                   |
|--|-------------------|
| Total Change in Fund Balance   | \$ 22,320         |
| <p>Amounts reported for Governmental Activities<br/>in the Statement of Activities is different because:</p>   |                   |
| <p>Governmental Funds report Capital Outlays as expenditures.<br/>However, in the Statement of Activities, the cost of these assets<br/>is allocated over their estimated useful lives as depreciation<br/>expense. The cost of capital assets recorded in the current period is</p>   |                   |
|  | 1,298             |
| <p>Depreciation expense on Capital Assets is reported<br/>in the Government-wide Financial Statements, but<br/>does not require the use of current financial resources<br/>and is not reported in the Fund Financial Statements.<br/>Current year depreciation expense is</p>  |                   |
|  | (11,396)          |
| <p>Some revenues reported in the Statement of Activities does not provide<br/>current resources and these are not reported as revenues in<br/>governmental funds. Some expenses reported in the Statement of<br/>Activities do not require the use of current financial resources and,<br/>therefore, are not reported as expenditures in governmental funds.<br/>These timing differences are summarized below:</p> |                   |
| Non-Employer Pension Revenue   | 3,322             |
| OPEB Expense   | (34,625)          |
| Change in Health Insurance   | 16,202            |
| Change in Pension Expense  | (7,638)           |
| Change in Accrued Compensated Absences   | <u>(2,050)</u>    |
| Total change in Net Position of Governmental Activities  | <u>\$(12,567)</u> |

See notes to financial statements.

Natchitoches Tax Commission  
Statement of Fiduciary Net Position  
Fiduciary Fund  
June 30, 2018

|                                    | <u>Commission Fund</u> |
|------------------------------------|------------------------|
| ASSETS:                            |                        |
| Cash                               | <u>\$530,543</u>       |
| LIABILITIES:                       |                        |
| Unsettled Deposits – Due to Others | <u>\$530,543</u>       |

See notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

Natchitoches Tax Commission  
Notes to Financial Statements  
June 30, 2018

**Introduction:**

As provided in L.S.A. – R.S. 33:2844, any sales and use tax levied by political subdivisions located within a single parish may be collected by a single tax collector for that parish. These political subdivisions are authorized by this statute to create a joint sales and use tax commission as an independent agency and instrumentality to collect, enforce, and administer the sales and use levied by all of the taxing authorities in that parish. Under the provisions of this statute, the tax commission must include two members appointed by each governing authority of each taxing jurisdiction which has collections equal to or greater than twenty percent of the total sales and use tax collections in the parish. The tax commission may, at its option, contract and make agreements with other local taxing authorities to collect taxes other than sales and use taxes.

On May 23, 1989, the City of Natchitoches, the Natchitoches Parish School Board, and the Natchitoches Parish Government entered into an agreement under the provisions of L.S.A. – R.S. 33:2844, for the collections of sales and use taxes and other fees thereby creating the Natchitoches Tax Commission. This agreement empowers the Natchitoches Tax Commission to collect, enforce, and administer the respective sales and use taxes and other fees as have been and may be authorized and levied by the City, School Board, and Natchitoches Parish Government within the boundaries of the City of Natchitoches, Louisiana, and the Parish of Natchitoches, Louisiana, and may institute in the name of the Commission suits to enforce the collection of such taxes.

The affairs of the Commission are managed by a six member Board of Commissioners made up of the chief administrative officer and the director of finance of the City of Natchitoches; the Treasurer and President of Natchitoches Parish; and the Director of Business Affairs and the Supervisor of Finance of the Natchitoches Parish School Board. The costs of establishing, operating, maintaining, and administering the Commission shall be borne jointly by the City, School Board and Natchitoches Parish Government on a pro-rata basis on the ratio that the taxes collected for each bears to the total taxes collected during the preceding year.

**1. Summary of Significant Accounting Policies:**

The accompanying financial statements of the Natchitoches Tax Commission have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The accompanying financial statements of the Natchitoches Tax Commission consist only of the transactions and activity of the Natchitoches Tax Commission as authorized by Louisiana statutes.

A. Basis of Presentation-

Government-Wide Financial Statements (GWFS)

The Statement of Net Position and Statement of Activities report information about the reporting government as a whole. They include all funds of the reporting entity, except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

Natchitoches Tax Commission  
Notes to Financial Statements  
June 30, 2018

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include (a) fees and charges paid by the recipient for goods or services offered by the program, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

B. Fund Accounting-

The accounts of the Commission are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The Commission maintains two funds. They are categorized as a governmental fund and fiduciary fund. The emphasis on fund financial statements is on major governmental and enterprise funds; each displayed in a separate column. A fund is considered major if it is the primary operating fund of the entity. The funds of the Commission are described below:

Governmental Fund-

General Fund

The General Fund is the primary operating fund of the Commission. It is used to account for all financial resources except those required to be accounted for in another fund.

Fiduciary Fund-

Fiduciary Funds are used to account for assets held by the Commission in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Fiduciary Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities of the Commission, these funds are not incorporated into the government-wide statements.

C. Measurement Focus/Basis of Accounting-

Basis of accounting refers to when revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual Basis - Government-Wide Financial Statements (GWFS)

The Statement of Net Position and the Statement of Activities display information about the Commission as a whole. Both of these statements have been prepared using the economic measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Natchitoches Tax Commission  
Notes to Financial Statements  
June 30, 2018

Modified Accrual Basis - Fund Financial Statements (FFS)

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Commission considers all revenues "available" if collected within 60 days after year-end. Expenditures are generally recorded under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule are that (1) unmatured principal and interest on long-term debt, if any, are recorded when due and (2) claims and judgments and compensated absences are recorded as expenditures when paid with expendable available financial resources.

D. Assets, Liabilities, and Equity-

Cash and Cash Equivalents-

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments-

Investments are limited by Louisiana Revised Statute and the Natchitoches Tax Commission's investment policy.

Receivables-

All receivables are reported at their gross value and, where applicable, are reduced by the estimated portion that is expected to be uncollectible. The receivables at year end were considered to be fully collectible and no allowance for bad debts were recorded.

Capital Assets-

Capital assets, which include property, plant, and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of that asset or materially extend the life of that asset are not capitalized.

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

|                                     |             |
|-------------------------------------|-------------|
| Buildings and Building Improvements | 20-40 years |
| Moveable property                   | 5-10 years  |

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Compensated Absences-

The Natchitoches Tax Commission employees earn annual leave at various rates depending on the number of years of service. The maximum amount of annual leave that may be accumulated by each employee is 240 hours. Upon termination, an employee is compensated for up to 240 hours of unused annual leave at the employee's hourly rate of pay at the time of termination.

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 (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources-

The Statement of Net Position reports a separate section for deferred outflows and (or) deferred inflows of financial resources. Deferred outflows of resources represent a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until the applicable period. Deferred inflows of resources represent an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources until that time.

Equity Classifications-

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

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

When an expense is incurred for the purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The policy concerning which to apply first varies with the intended use and legal requirements. This decision is typically made by management at the incurrence of the expense.

In the fund statements, governmental fund equity is classified as fund balance and displayed in five components. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

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

The General Fund has an unassigned fund balance of \$776,032. If applicable, the Commission would typically use restricted fund balances first, followed by committed resources and assigned resources as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first and to defer the use of these other classified funds.

The Board of Commissioners establishes (and modifies and rescinds) fund balance commitments and assignments by passage of an ordinance or resolution.

E. Budgetary Practices:

Formal budgetary accounting is employed as a management control. The Natchitoches Tax Commission prepares and adopts a budget prior to July 1 of each year for its general fund in accordance with Louisiana Revised Statutes. The operating budget is prepared based on prior year's revenues and expenditures and the estimated increase therein for the current year, using full accrual basis of accounting. The Commission amends its budget when projected revenues are expected to be less than budgeted revenues by five percent or more and/or projected expenditures are expected to be more than budgeted amounts by five percent or more. All budget appropriations lapse at year end.

F. Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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G. Impact of Recently Issued Accounting Principles:

As of July 1, 2017, the Commission implemented Governmental Standards Board (GASB) Statement 75 *Actuarial Valuation of Other Post-employment Benefits – Amendment of GASB Statement 45*, which resulted in a cumulative change in accounting principle and also a restatement of net position. The net effect of the restatement was to decrease the net position of the Commission by \$539,354.

**2. Deposits with Financial Institutions**

A. Cash and Cash Equivalents:

The cash and cash equivalents of the Natchitoches Tax Commission are subject to the following risk:

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Commission will not be able to recover its deposits. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. 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 Commission that the fiscal agent bank has failed to pay deposited funds upon demand. Further, Louisiana Revised Statute 39:1224 states that securities held by a third party shall be deemed to be held in the Commission's name.

At June 30, 2018, the Commission had \$816,693 in deposits (collected bank balances). These deposits were secured from risk by \$500,000 of federal deposit insurance and \$316,693 pledged securities. The Commission is not exposed to custodial credit risk.

B. Investments

The investments of the Natchitoches Tax Commission are subject to the following risk:

*Interest Rate Risk.* This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity is its fair value to changes in market interest rates. The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, as a means of offsetting exposure to interest rate risk, the Commission diversifies its investments by security type and institution.

The Commission maintains investment accounts as authorized by the Louisiana Revised Statutes. Under state law, the Commission may invest in obligations of the U.S. Treasury and U.S. Agencies, or certificates of deposit. Investments are carried at fair market as of the balance sheet date.

At June 30, 2018 the Commission had \$528,185 in investments. These investments were fully secured by U.S. Government securities.

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**3. Changes in General Long-term Obligations – Compensated Absences:**

At June 30, 2018, employees of the Natchitoches Tax Commission had accumulated \$12,136 in annual leave benefits. The following is a summary of the changes in long-term obligations for accrued compensated absences for the year ended June 30, 2018:

|  |                 |
|--|-----------------|
| Long-term obligations payable at June 30, 2017 | \$10,086        |
| Net Change                                     | <u>2,050</u>    |
| Long-term obligations payable at June 30, 2018 | <u>\$12,136</u> |

**4. Lease Obligations:**

The Natchitoches Tax Commission was not obligated under any capital or operating leases at June 30, 2018.

**5. Capital Assets:**

Capital asset balances and activity for the year ended June 30, 2018, is as follows:

| Governmental<br><u>Activities</u> | Balance<br><u>07-01-17</u> | <u>Additions</u>  | <u>Deletions</u> | Balance<br><u>06-30-18</u> |
|-----------------------------------|----------------------------|-------------------|------------------|----------------------------|
| Non-depreciable Capital assets:   |                            |                   |                  |                            |
| Land                              | \$ <u>40,000</u>           | \$ <u>0</u>       | \$ <u>0</u>      | \$ <u>40,000</u>           |
| Depreciable Capital Assets:       |                            |                   |                  |                            |
| Buildings & Improvements          | \$167,507                  | \$ 0              | \$0              | \$167,507                  |
| Furniture & Equipment             | <u>58,413</u>              | <u>1,298</u>      | <u>0</u>         | <u>59,711</u>              |
| Total Depreciable Capital Assets  | <u>\$225,920</u>           | <u>\$ 1,298</u>   | <u>\$0</u>       | <u>\$227,218</u>           |
| Less: Accumulated Depreciation:   |                            |                   |                  |                            |
| Buildings & Improvements          | \$ 60,324                  | \$ 4,822          | \$0              | \$ 65,146                  |
| Furniture & Equipment             | <u>38,657</u>              | <u>6,574</u>      | <u>0</u>         | <u>45,231</u>              |
| Total Accumulated Depreciation    | <u>\$ 98,981</u>           | <u>\$ 11,396</u>  | <u>\$0</u>       | <u>\$110,377</u>           |
| Total Capital Assets, Net         | <u>\$166,939</u>           | <u>\$(10,098)</u> | <u>\$0</u>       | <u>\$156,841</u>           |

Depreciation expense of \$11,396 was charged to the general government function.

**6. Pension Plan:**

*Plan Description*

The Tax Commission contributes to Parochial Employees' Retirement System of Louisiana (System) which is 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 and pays 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 System is governed by Louisiana Revised Statutes, Title 11, Section 1901 through

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2025, specifically, and other general laws of the State of Louisiana. The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System, which can be obtained at [www.persla.org](http://www.persla.org).

All permanent parish government employees (except those employed by Orleans, Lafourche and East Baton Rouge Parishes) who work at least 28 hours a week shall become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

#### *Benefits Provided*

The following is a description of the plan and its benefits and is provided for general information purposes only. Participants should refer to the appropriate statutes for more complete information.

#### **Retirement**

Any member of Plan A can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• At any age</li> <li>• At age 55</li> <li>• At age 60</li> <li>• At age 65</li> </ul> | <ul style="list-style-type: none"> <li>after 30 or more years of creditable service</li> <li>after 25 years of creditable service</li> <li>after 10 years of creditable service</li> <li>after 7 years of creditable service</li> </ul> |
|---|---|

For employees hired after January 1, 2007:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• At age 55</li> <li>• At age 62</li> <li>• At age 67</li> </ul> | <ul style="list-style-type: none"> <li>after 30 years of creditable service</li> <li>after 10 years of creditable service</li> <li>after 7 years of creditable service</li> </ul> |
|---|---|

Any member of Plan B can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• At age 55</li> <li>• At age 60</li> <li>• At age 65</li> </ul> | <ul style="list-style-type: none"> <li>after 30 years of creditable service</li> <li>after 10 years of creditable service</li> <li>after 7 years of creditable service</li> </ul> |
|---|---|

For employees hired after January 1, 2007:

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• At age 55</li> <li>• At age 62</li> <li>• At age 67</li> </ul> | <ul style="list-style-type: none"> <li>after 30 years of creditable service</li> <li>after 10 years of creditable service</li> <li>after 7 years of creditable service</li> </ul> |
|---|---|

Generally, the monthly amount of the retirement allowance of any member of Plan A shall consist of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

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Generally, the monthly amount of the retirement allowance of any member of Plan B shall consist of an amount equal to two percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

#### **Survivor's Benefits**

Upon the death of any member of Plan A with five (5) or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes.

Any member of Plan A, who is eligible for normal retirement at time of death, the surviving spouse shall receive an automatic Option 2 benefit, as outlined in the statutes.

Plan B members need ten (10) years of service credit to be eligible for survivor benefits. Upon the death of any member of Plan B with twenty (20) or more years of creditable service who is not eligible for normal retirement, the plan provides for an automatic Option 2 benefit for the surviving spouse when he/she reaches age 50 and until remarriage, if the remarriage occurs before age 55.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve (12) months immediately preceding death of the member, shall be paid an Option 2 benefit beginning at age 50.

#### **Deferred Retirement Option Plan**

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the System. DROP is an option for that member who is eligible for normal retirement.

In lieu of terminating employment and accepting a service retirement, any member of Plan A or B who is eligible to retire may elect to participate in DROP in which they enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his/her option, a lump sum from the account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in DROP will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of DROP must agree that the benefits payable to the participant are not the obligations of the state or the System, and that any returns and other rights of DROP are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

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**Disability Benefits**

For Plan A, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or three percent multiplied by years of service assuming continued service to age sixty.

For Plan B, a member shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan B shall be paid a disability benefit equal to the lesser of an amount equal to two percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen, or an amount equal to what the member's normal benefit would be based on the member's current final compensation but assuming the member remained in continuous service until his earliest normal retirement age.

**Cost-of-Living Increases**

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older. (LA R.S. 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

*Contributions*

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of member's compensation for Plan A and 6.75% of member's compensation for Plan B. However, the actual rate for the fiscal year ending December 31, 2016 was 12.5% for Plan A and 8.00% for Plan B.

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 employer contributions and are considered support from non-employer contributing entities, but are not considered special funding situations. Non-employer contribution revenue for the current year is \$3,322.

The Tax Commission's contractually required composite contribution rate for the year ended June 30, 2018 was 11.5% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any Unfunded Actuarial Accrued Liability. Contributions to the pension plan from the Tax Commission were \$33,908 for the year ended June 30, 2018.

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*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2018, the Tax Commission reported an asset of \$(33,166) for its proportionate share of the Net Pension Liability. The Net Pension Asset 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 Tax Commission's proportion of the Net Pension Liability was based on a projection of the Tax Commission'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 Tax Commission's proportion was 0.044683%, which was a decrease of .000800% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Tax Commission recognized pension expense of \$7,638 minus employer's amortization of change in proportionate share and differences between employer contributions and proportionate share of contributions of \$86.

At June 30, 2018, the Tax Commission reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred Outflows of<br><u>Resources</u> | Deferred Inflows of<br><u>Resources</u> |
|--|--|---|
| Differences between expected and actual experience   | \$ 0                                     | \$21,469                                |
| Changes in assumption  | 41,860                                   | 0                                       |
| Net difference between projected and actual earnings on pension plan investments             | 0  | 76,623                                  |
| Changes in employer's proportion of beginning net pension liability                          | 159                                      | 258                                     |
| Differences between employer contributions and proportionate share of employer contributions | 0  | 169                                     |
| Subsequent Period Contributions  | <u>16,332</u>                            | <u>0</u>                                |
| Total  | <u>\$58,351</u>                          | <u>\$98,519</u>                         |

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

|                     |                   |
|---------------------|-------------------|
| Year ended June 30: |                   |
| 2018                | \$ 4,913          |
| 2019                | (5,151)           |
| 2020                | (25,891)          |
| 2021                | <u>(30,371)</u>   |
| Total               | <u>\$(56,500)</u> |

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*Actuarial Assumptions*

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017 is as follows:

|                                  |   |
|----------------------------------|---|
| Valuation Date                   | December 31, 2017   |
| Actuarial Cost Method            | Entry Age Normal  |
| Actuarial Assumptions:           |   |
| Expected Remaining Service Lives | 4 years.  |
| Investment Rate of Return        | 6.75%, net of investment expense, including inflation.  |
| Inflation Rate                   | 2.50% per annum.  |
| Mortality                        | RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Table was selected for annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.<br><br>Experience study performed on plan data for the period January 1, 2010 through December 31, 2014. |
| Projected Salary Increases       | 5.25% (2.50% Inflation, 2.75% Merit)  |
| 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 discount rate used to measure the total pension liability was 6.75% for Plans A and B. 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 calculated 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.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the CAPM pricing model (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 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

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for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017. 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, 2017 are summarized in the following table:

| <u>Asset Class</u>                 | <u>Target Allocation</u> | <u>Long-Term Expected<br/>Portfolio Real Rate of<br/>Return</u> |
|------------------------------------|--------------------------|---|
| Fixed Income                       | 35%                      | 1.24%   |
| Equity                             | 52%                      | 3.57%   |
| Alternatives                       | 11%                      | 0.69%   |
| Real Assets                        | 2%                       | 0.12%   |
| Total                              | <u>100%</u>              | <u>5.62%</u>  |
| Inflation                          |                          | <u>2.00%</u>  |
| Expected Arithmetic Nominal Return |                          | <u>7.62%</u>  |

*Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Tax Commission's proportionate share of the Net Pension Liability using the discount rate of 6.75%, as well as what the Tax Commission's proportionate share of the Net Pension Liability would be if it were calculated using a discount rate that is one percentage-point lower (5.75%) or one percentage-point higher (7.75%) than the current rate:

|   | 1.0% Decrease<br>(5.75%) | Current Discount Rate<br>(6.75%) | 1.0% Increase<br>(7.75%) |
|---|--------------------------|----------------------------------|--------------------------|
| Employer's proportionate share of net pension liability | \$163,519                | \$(33,166)                       | \$(208,301)              |

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued Parochial Employees' Retirement System of Louisiana Annual Financial Report at [www.persla.org](http://www.persla.org).

*Payables to the Pension Plan*

These financial statements include a payable to the pension plan of \$14,415, which is the legally required contribution due at June 30, 2018. This amount is recorded in accrued expenses.

**7. Postemployment Health Care and Life Insurance Benefits:**

**General Information about the OPEB Plan**

*Plan description* – The Natchitoches Tax Commission (the Tax Commission) provides certain continuing health care and life insurance benefits for its retired employees. The Natchitoches Tax Commission's OPEB Plan (the OPEB Plan) is a single-employer defined benefit OPEB plan administered by the Tax Commission.

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The authority to establish and/or amend the obligation of the employer, employees and retirees rests with the Tax Commission. No assets are accumulated in a trust that meets the criteria in Governmental Accounting Standards Board (GASB) Codification Section P52 *Postemployment Benefits Other Than Pensions—Reporting For Benefits Not Provided Through Trusts That Meet Specified Criteria—Defined Benefit*.

*Benefits Provided* – Medical benefits are provided through a comprehensive medical plan and are made available to employees upon actual retirement. Most employees are covered by the Parochial Employees' Retirement System of Louisiana, whose retirement eligibility (D.R.O.P. entry) provisions are as follows: 30 years of service at any age; age 55 and 25 years of service; age 60 and 10 years of service; or, age 65 and 7 years of service. For employees hired on and after January 1, 2007 retirement eligibility (D.R.O.P. entry) provisions are as follows: age 55 and 30 years of service; age 62 and 10 years of service; or, age 67 and 7 years of service.

*Employees covered by benefit terms* – At June 30, 2018, the following employees were covered by the benefit terms:

|  |          |
|--|----------|
| Inactive employees or beneficiaries currently receiving benefit payments | 2        |
| Inactive employees entitled to but not yet receiving benefit payments    | 0        |
| Active employees   | <u>7</u> |
| Total  | <u>9</u> |

**Total OPEB Liability**

The Tax Commission's total OPEB liability of \$578,450 was measured as of June 30, 2018 and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions and other inputs* – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|                             |                           |
|-----------------------------|---------------------------|
| Inflation                   | 2.5%                      |
| Salary increases            | 3.0%, including inflation |
| Prior Discount rate         | 3.52%                     |
| Discount rate               | 3.87% annually            |
| Healthcare cost trend rates | Flat 5.5% annually        |

The discount rate was based on the average of the Bond Buyers' 20 Year General Obligation municipal bond index as of June 30, 2018, the end of the applicable measurement period.

Mortality rates were based on the RP-2000 Table without projection with 50%/50% unisex blend.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of ongoing evaluations of the assumptions from July 1, 2009 to June 30, 2018.

Natchitoches Tax Commission  
Notes to Financial Statements  
June 30, 2018

**Changes in the Total OPEB Liability**

|  |                  |
|--|------------------|
| Balance at June 30, 2017                           | <u>\$539,354</u> |
| Changes for the year:                              |                  |
| Service cost                                       | 11,577           |
| Interest   | 21,321           |
| Differences between expected and actual experience | 49,326           |
| Changes in assumptions                             | (26,879)         |
| Benefit payments and net transfers                 | <u>(16,249)</u>  |
| Net changes  | <u>\$ 39,096</u> |
| Balance at June 30, 2018                           | <u>\$578,450</u> |

*Sensitivity of the total OPEB liability to changes in the discount rate* – The following presents the total OPEB liability of the Tax Commission, as well as what the Tax Commission’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current discount rate:

|                      | <b>1.0% Decrease</b><br><b><u>(2.87%)</u></b> | <b>Current Trend</b><br><b><u>(3.87%)</u></b> | <b>1.0% Increase</b><br><b><u>(4.87%)</u></b> |
|----------------------|---|---|---|
| Total OPEB liability | \$664,580                                     | \$578,450                                     | \$508,147                                     |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates* – The following presents the total OPEB liability of the Tax Commission, as well as what the Tax Commission’s total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (4.5%) or 1-percentage-point higher (6.5%) than the current healthcare trend rates:

|                      | <b>1.0% Decrease</b><br><b><u>(4.5%)</u></b> | <b>Current Trend</b><br><b><u>(5.5%)</u></b> | <b>1.0% Increase</b><br><b><u>(6.5%)</u></b> |
|----------------------|--|--|--|
| Total OPEB liability | \$509,128                                    | \$578,450                                    | \$661,745                                    |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2018, the Tax Commission recognized OPEB expense of \$34,625. At June 30, 2018, the Tax Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual experience | \$45,532                             | \$ 0                                |
| Changes in assumptions                             | <u>0</u>                             | <u>(24,811)</u>                     |
| Total  | <u>\$45,532</u>                      | <u>\$(24,811)</u>                   |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Natchitoches Tax Commission  
Notes to Financial Statements  
June 30, 2018

| <u>Years ending June 30:</u> |                 |
|------------------------------|-----------------|
| 2019                         | \$ 1,727        |
| 2020                         | 1,727           |
| 2021                         | 1,727           |
| 2022                         | 1,727           |
| 2023                         | 1,727           |
| Thereafter                   | <u>12,088</u>   |
| Total                        | <u>\$20,723</u> |

**8. Litigation:**

Management has advised that the Commission is not involved in any legal action which would have a negative impact on the Commission.

**9. Ad Valorem Taxes/Parcel Fees:**

The Natchitoches Tax Commission collects ad valorem taxes levied by the City of Natchitoches and parcel fees levied by Fire Districts #1, #5 and #6. Ad valorem taxes and parcel fees, which are levied in October and billed in November, attach as an enforceable lien on property as of January 1 of each year. Ad valorem taxes and parcel fees that have been billed become delinquent on January 1 of the following year and penalties and interest are assessed. The Commission bills and collects the ad valorem taxes using the assessed values determined by the Tax Assessor of Natchitoches Parish. Parcel fees are assessed at \$25 per lot on which a structure is located.

**10. Taxes Paid Under Protest:**

Louisiana Revised Statute 47:1576 provides that taxpayers, at the time of payment of all taxes due, may give notice to the tax collector of their intention to file suit for recovery of all or a portion of the total taxes paid. Upon receipt of a notice, the amount paid shall be segregated and held by the tax collector for a period of thirty days. If a suit is filed within 30 days, the segregated funds shall be held pending outcome of the suit. If the taxpayer prevails, the Tax Collector shall refund the amount due with interest from the date the funds were received by the Tax Collector. There was \$168,121 in ad valorem taxes paid under protest at June 30, 2018.

**11. Subsequent Events:**

Management has evaluated events through December 14, 2018, the date which the financial statements were available for issue. There were no items to be reported as subsequent events.

OTHER REQUIRED SUPPLEMENTARY INFORMATION

Natchitoches Tax Commission  
General Fund  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2018

|                                      | Budget           |                  | Actual           | Variance                   |
|--------------------------------------|------------------|------------------|------------------|----------------------------|
|                                      | Original         | Final            |                  | Favorable<br>(Unfavorable) |
| REVENUES:                            |                  |                  |                  |                            |
| Charges for Services                 | \$ 48,000        | \$ 60,411        | \$173,725        | \$113,314                  |
| Intergovernmental Revenues           | 506,371          | 519,592          | 431,450          | (88,142)                   |
| Other Income                         | <u>400</u>       | <u>2,997</u>     | <u>1,878</u>     | <u>(1,119)</u>             |
| Total Revenues                       | <u>\$554,771</u> | <u>\$583,000</u> | <u>\$607,053</u> | <u>\$ 24,053</u>           |
| EXPENDITURES:                        |                  |                  |                  |                            |
| General Government:                  |                  |                  |                  |                            |
| Personnel Services                   | \$395,471        | \$410,101        | \$402,826        | \$ 7,275                   |
| Travel                               | 6,000            | 6,000            | 6,001            | (1)                        |
| Operating Services                   | 110,900          | 107,400          | 119,744          | (12,344)                   |
| Supplies                             | 19,500           | 18,600           | 7,784            | 10,816                     |
| Capital Outlay                       | 0                | 0                | 1,298            | (1,298)                    |
| Professional Services                | <u>20,500</u>    | <u>38,500</u>    | <u>47,080</u>    | <u>(8,580)</u>             |
| Total Expenditures                   | <u>\$552,371</u> | <u>\$580,601</u> | <u>\$584,733</u> | <u>\$ (4,132)</u>          |
| Excess of Revenues over Expenditures | \$ 2,400         | \$ 2,399         | \$ 22,320        | \$ 19,921                  |
| Fund Balance - Beginning of Year     | <u>758,231</u>   | <u>758,231</u>   | <u>758,231</u>   | <u>0</u>                   |
| Fund Balance - End of Year           | <u>\$760,631</u> | <u>\$760,630</u> | <u>\$780,551</u> | <u>\$ 19,921</u>           |

See independent auditor's report.

Natchitoches Tax Commission  
Schedule of Employer's Share of Net Pension Liability  
For the Year Ended June 30, 2018

| Year | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) | Employer's Covered Employee Payroll | Employer's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its Covered Payroll | Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability |
|------|--|---|-------------------------------------|--|---|
| 2015 | .044124%   | \$ 12,064   | \$240,078                           | 5.03%  | 99.15%  |
| 2016 | .042409%   | 111,633   | 265,933                             | 41.98%   | 92.23%  |
| 2017 | .045483%   | 93,673  | 271,718                             | 34.47%   | 94.15%  |
| 2018 | .044683%   | (33,166)  | 282,630                             | (11.73)%   | 101.98%   |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Natchitoches Tax Commission  
Schedule of Employer Contributions  
For the Year Ended June 30, 2018

| Year | Contractually Required Contributions | Contributions in Relation to Contractually Required Contributions | Contribution Deficiency (Excess) | Employer's Covered Payroll | Contributions as a Percentage of Covered Employee Payroll |
|------|--------------------------------------|---|----------------------------------|----------------------------|---|
| 2015 | \$36,769                             | \$36,769  | \$0                              | \$240,078                  | 15.32%  |
| 2016 | 36,573                               | 36,573  | 0                                | 265,933                    | 13.75%  |
| 2017 | 34,651                               | 34,651  | 0                                | 271,718                    | 12.75%  |
| 2018 | 33,908                               | 33,908  | 0                                | 282,630                    | 12.00%  |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Natchitoches Tax Commission  
Schedule of Changes in Net OPEB Liability and Related Ratios  
For the Year Ended June 30, 2018

|  |                   |
|--|-------------------|
| <b>Total OPEB liability</b>                                    |                   |
| Service cost   | \$ 11,577         |
| Interest   | 21,321            |
| Changes of benefit terms                                       | -                 |
| Differences between expected and actual experience             | 49,326            |
| Changes of assumptions   | (26,879)          |
| Benefit Payments   | <u>(16,249)</u>   |
| <b>Net Change in total OPEB liability</b>                      | \$ 39,096         |
| <b>Total OPEB liability - beginning</b>                        | <u>539,354</u>    |
| <b>Total OPEB liability - ending (a)</b>                       | <u>\$ 578,450</u> |
| Covered-employee payroll                                       | \$ 293,464        |
| Net OPEB liability as a percentage of covered-employee payroll | 197.11%           |

Notes to Schedule:

*Benefit Changes.* There were no changes of benefit terms for the year ended June 30, 2018.

*Changes of Assumptions.* There were no changes of assumptions for the year ended June 30, 2018.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Natchitoches Tax Commission  
Schedule of Compensation, Benefits and Other Payments to  
Agency Head or Chief Executive Officer  
For the Year Ended June 30, 2018

Agency Head Name: Jerry McWherter, Tax Administrator

| <u>Purpose</u>               | <u>Amount</u> |
|------------------------------|---------------|
| Salary                       | \$75,930      |
| Benefits-Insurance           | 9,683         |
| Benefits-Retirement          | 9,110         |
| Employer Share Payroll Taxes | 1,139         |
| Housing                      | 680           |
| Other                        | 1,650         |

See independent auditor's report.

Natchitoches Tax Commission  
Reporting Fraud and Misappropriations  
For the Year Ended June 30, 2018

Agency Name: Natchitoches Tax Commission

Fiscal Year End: June 30, 2018

|     | <u>Element of Finding</u>  | <u>Response</u>                     |
|-----|--|-------------------------------------|
| 1.  | A general statement describing the fraud or misappropriation that occurred.  | Employee theft of cash receipts     |
| 2.  | A description of the funds or assets that were the subject of the fraud or misappropriation (ex., utility receipts, petty cash, computer equipment).   | Tax Receipts                        |
| 3.  | The amount of funds or approximate value of assets involved.   | \$18,000                            |
| 4.  | The department or office in which the fraud or misappropriation occurred.  | Cash Collections                    |
| 5.  | The period of time over which the fraud or misappropriation occurred.  | January 1, 2014 – December 31, 2016 |
| 6.  | The title/agency affiliation of the person who committed the act of fraud or misappropriation.   | Clerk                               |
| 7.  | The name of the person who committed or is believed to have committed the act of fraud or misappropriation, if formal charges have been brought against the person and/or the matter has been adjudicated. | Tabatha A. Collinsworth             |
| 8.  | Is the person who committed or is believed to have committed the act of fraud still employed by the agency?  | No                                  |
| 9.  | If the person who committed or is believed to have committed the act of fraud is still employed by the agency, do they have access to assets that may be subject to fraud or misappropriation?             | N/A                                 |
| 10. | Has the agency notified the appropriate law enforcement body about the fraud or misappropriation?  | Yes                                 |
| 11. | What is the status of the investigation as the date of the auditor's/accountant's report?  | Complete                            |
| 12. | If the investigation is complete and the person believed to have committed the act of fraud or misappropriation has been identified, has the agency filed charges against the person?                      | Yes                                 |
| 13. | What is the status of any related adjudication at the date of the auditor's/accountant's report?   | Closed                              |
| 14. | Has restitution been made or has an insurance claim been filed?  | Yes                                 |

See independent auditor's report.

Natchitoches Tax Commission  
Reporting Fraud and Misappropriations  
For the Year Ended June 30, 2018  
(continued)

Agency Name: Natchitoches Tax Commission

Fiscal Year End: June 30, 2018

|     | <u>Element of Finding</u>  | <u>Response</u>   |
|-----|--|---|
| 15. | Has the agency notified the Louisiana Legislative Auditor and the District Attorney in writing, as required by Louisiana Revised Statute 24:523 (Applicable to local governments only)?                          | Yes   |
| 16. | Did the agency's internal controls allow the detection of the fraud or misappropriation in a timely manner?  | Yes   |
| 17. | If the answer to the last question is "no," describe the control deficiency/significant deficiency/material weakness that allowed the fraud or misappropriation to occur and not be detected in a timely manner. | N/A   |
| 18. | Management's plan to ensure that the fraud or misappropriation does not occur in the future.   | The Commission has instituted additional procedures requiring that all transactions be reviewed by at least one person not involved in the transaction to ensure segregation of duties is maintained. |

See independent auditor's report.

## SUPPLEMENTARY INFORMATION

Natchitoches Tax Commission  
Schedule of Changes in Fiduciary Net Position  
Fiduciary Fund  
For the Year Ended June 30, 2018

|                                  | <u>Commission<br/>Fund</u> |
|----------------------------------|----------------------------|
| ADDITIONS:                       |                            |
| Sales & Use Tax                  | \$32,465,262               |
| Ad Valorem Tax                   | 2,447,254                  |
| Insurance Fees                   | 466,679                    |
| Occupational Licenses            | 683,010                    |
| Hotel/Motel Tax                  | 390,284                    |
| Alcoholic Beverage Licenses      | 33,550                     |
| Christmas Festival Fees          | 3,810                      |
| Miscellaneous Income             | <u>46,895</u>              |
| <br>Total Additions              | <br><u>\$36,536,744</u>    |
| DEDUCTIONS:                      |                            |
| Natchitoches Tax Commission      | \$ 294,636                 |
| Natchitoches Tourist Commission  | 378,576                    |
| Natchitoches Parish School Board | 15,543,295                 |
| City of Natchitoches             | 14,026,567                 |
| Parish of Natchitoches           | 2,593,865                  |
| Natchitoches Parish Sheriff      | 3,187,766                  |
| Christmas Festival Committee     | 3,810                      |
| Village of Campti                | 186,279                    |
| Village of Clarence              | 51,025                     |
| Village of Natchez               | 29,374                     |
| Village of Robeline              | 42,006                     |
| Fire District #1                 | 35,720                     |
| Fire District #5                 | 21,475                     |
| Fire District #6                 | <u>78,406</u>              |
| <br>Total Deductions             | <br><u>\$36,472,800</u>    |
| <br>Change in Liabilities        | <br>\$ 63,944              |
| Liabilities-Beginning            | <u>466,599</u>             |
| Liabilities-Ending               | <u>\$ 530,543</u>          |

See independent auditor's report.

## OTHER REPORTS

# Johnson, Thomas & Cunningham

## Certified Public Accountants

Eddie G. Johnson, CPA – A Professional Corporation (1927-1996)

Mark D. Thomas, CPA – A Professional Corporation  
Roger M. Cunningham, CPA – A Professional Corporation  
Jessica H. Broadway, CPA – A Professional Corporation  
Ryan E. Todtenbier, CPA – A Professional Corporation

321 Bienville Street  
Natchitoches, Louisiana 71457  
(318) 352-3652  
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Board of Commissioners  
Natchitoches Tax Commission  
P. O. Box 639  
Natchitoches, LA 71457

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 and the *Louisiana Governmental Audit Guide*, the financial statements of the governmental activities, major fund and fiduciary fund as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Natchitoches Tax Commission's (Commission) basic financial statements and have issued our report thereon dated December 14, 2018.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. Under Louisiana Revised Statute 25:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Johnson, Thomas + Cunningham, CPA's*  
Johnson, Thomas & Cunningham, CPA's

December 14, 2018  
Natchitoches, Louisiana

Natchitoches Tax Commission  
Schedule of Audit Findings  
Year Ended June 30, 2018

I. SUMMARY OF AUDIT RESULTS

The following summarize the audit results:

1. An unmodified opinion was issued on the financial statements of the Natchitoches Tax Commission as of and for the year ended June 30, 2018.
2. The audit did not disclose any material weaknesses in internal control.
3. The audit disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

II. FINDINGS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Internal Control

2018-001 *Employee Misappropriation*

*Criteria* – Management is responsible for ensuring that internal controls are in place to properly record and disburse cash collections to taxing bodies.

*Condition* – The Commission discovered that a former employee had manipulated computer system reports and misappropriated cash collections of \$18,000 during the period January 1, 2014 – December 31, 2016. The District Attorney and Louisiana Legislative Auditor were notified. Restitution was made in the amount of \$18,000 to the Commission. Louisiana regulations require that an instance such as this be reported as a finding on the Commission's audit; however, since the Commission's internal control was designed and working, we have no recommendations to make.

III. PRIOR YEAR AUDIT FINDINGS

None noted.

# Johnson, Thomas & Cunningham

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

To the Board of Commissioners  
Natchitoches Tax Commission  
P. O. Box 639  
Natchitoches, LA 71457

We have performed the procedures enumerated below, which were specified and agreed to by the Board of Commissioners of the Natchitoches Tax Commission and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2017 through June 30, 2018. The Commission is responsible for those C/C areas identified in the SAUPs.

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

Our procedures and associated notations are enumerated below.

#### ***Written Policies and Procedures***

---

1. We obtained and inspected the entity's written policies and procedures and observed whether those written policies and procedures address each of the following categories and subcategories (or noted that the entity does not have any written policies and procedures), as applicable:
  - ***Budgeting***, including preparing, adopting, monitoring, and amending the budget.
  - ***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.
  - ***Disbursements***, including processing, reviewing, and approving.

- **Receipts**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or 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.)
- **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- **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.
- **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

a) *Procedure Results – Not required due to no exceptions in this category in the prior year.*

**Board (or Finance Committee, if applicable)**

---

2. We obtained and inspected the board/committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent documents in effect during the fiscal period, and:
  - Observed that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.
  - Observed that the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and major special revenue funds, as well as monthly financial statements (or budget-to-actual comparisons, if budgeted) for major proprietary funds. *Alternatively, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*

- For governmental entities, obtained the prior year audit report and observed the unrestricted fund balance in the General Fund. If the General Fund had a negative ending unrestricted fund balance in the prior year audit report, observed that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the General Fund.

a) *Procedure Results – We noted one exception. There is no direct reference to monthly budget-to-actual comparisons in the board minutes.*

### ***Bank Reconciliations***

---

3. We obtained a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. We identified the entity's main operating account. We selected the entity's main operating account and randomly selected four additional accounts (or all if less than five).

We randomly selected one month from the fiscal period, and obtained and inspected the corresponding bank statement and reconciliation for the selected accounts, and observed that:

- Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g. initialed and dated, electronically logged);
- Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g. initialed and dated, electronically logged); and
- Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

a) *Procedure Results – We noted one exception. There is no evidence that outstanding items in excess of 12 months have been researched.*

### ***Collections***

---

4. We obtained a listing of deposit sites for the fiscal period where deposits for cash/check/money order (cash) are prepared and management's representation that the listing is complete. We randomly selected the required amount of deposit sites (up to five).
5. We obtained a listing of collection locations and management's representation that the listing is complete. We randomly selected one collection location for each deposit site selected. We obtained and inspected written policies and procedures relating to employee job duties at each collection location, and observed that job duties were properly segregated at each collection location such that:
  - Employees that are responsible for cash collections do not share cash drawers/registers.
  - Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

- Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.
6. We inquired of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
7. We randomly selected two deposit dates for each of the bank accounts selected for procedure #3 under “Bank Reconciliations” above. We obtained supporting documentation for each of the deposits selected and:
- We observed that receipts are sequentially pre-numbered.
  - We traced sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - We traced the deposit slip total to the actual deposit per the bank statement.
  - We observed that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100).
  - We traced the actual deposit per the bank statement to the general ledger.

*a) Procedure Results – We noted one exception. Receipts are not pre-numbered.*

***Non-Payroll Disbursements – General (excluding card purchases/payments, travel reimbursements, and petty cash purchases)***

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8. We obtained a listing of locations that process payments for the fiscal period and management’s representation that the listing is complete. We randomly selected the required amount of disbursement locations (up to five).
9. For each location selected under #8 above, we obtained written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and we observed that job duties are properly segregated such that:
- At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
  - At least two employees are involved in processing and approving payments to vendors.
  - The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

- Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.
10. For each location selected under #8 above, we obtained the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtained management's representation that the population is complete. We randomly selected 5 disbursements for each location, and obtained supporting documentation for each transaction and:
- We observed that the disbursement matched the related original invoice/billing statement.
  - We observed that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.
- a) *Procedure Results - Not required due to no exceptions in this category in the prior year.*

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

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11. We obtained from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. We obtained management's representation that the listing is complete.
12. Using the listing prepared by management, we randomly selected the required amount of cards (up to five) that were used during the fiscal period. We randomly selected one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), and obtained supporting documentation, and:
- We observed that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder.
  - We observed that finance charges and late fees were not assessed on the selected statements.
13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, we randomly selected the required amount transactions (up to ten) from each statement, and obtained supporting documentation for the transactions. For each transaction, we observed that it is supported by (1) an original itemized receipt that identified precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals.
- a) *Procedure Results – Not required due to no exceptions in this category in the prior year.*

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

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14. We obtained from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. We randomly selected five reimbursements, and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the five reimbursements selected:

- If reimbursed using a per diem, we agreed the reimbursement rate to those rates established by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).
- If reimbursed using actual costs, we observed that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
- We observed that each reimbursement was supported by documentation of the business/public purpose and other documentation required by written policy.
- We observed that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

*a) Procedure Results – Not required due to no exceptions in this category in the prior year.*

### ***Contracts***

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15. We obtained from management a listing of all agreements/contracts for professional services, materials, and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. We obtained management's representation that the listing is complete. We randomly selected the required amount of contracts (up to five) from the listing, and:

- We observed that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.
- We observed that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
- If the contract was amended (e.g. change order), we observed that the original contract terms provided for such an amendment.
- We randomly selected one payment from the fiscal period for each of the selected contracts, obtained the supporting invoice, agreed the invoice to the contract terms, and observed that the invoice and related payment agreed to the terms and conditions of the contract.

*a) Procedure Results – Not required due to no exceptions in this category in the prior year.*

### ***Payroll and Personnel***

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16. We obtained a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. We randomly selected five employees/officials, obtained related paid salaries and personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files.

17. We randomly selected one pay period during the fiscal period. For the five employees/officials selected under #16 above, we obtained attendance and leave documentation for the pay period, and:

- We observed that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

- We observed that supervisors approved the attendance and leave of the selected employees/officials.
  - We observed that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
18. We obtained a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. If applicable, we selected the two employees/officials, and obtained related documentation of the hours and pay rates used in management's termination payment calculations. If applicable, we agreed the hours to the employees/officials' cumulative leave records and the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.
19. We obtained management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

*a) Procedure Results – We noted no exceptions.*

### ***Ethics***

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20. Using the five randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, we obtained ethics compliance documentation from management, and:
- We observed that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - We observed that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

*a) Procedure Results – We noted no exceptions.*

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

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21. We obtained a listing of bonds/notes issued during the fiscal period and management's representation that the listing is complete. We selected all bonds/notes on the listing, obtained supporting documentation, and observed that State Bond Commission approval was obtained for each bond/note issued.
22. We obtained a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. We randomly selected one bond/note, inspected debt covenants, obtained supporting documentation for the reserve balance and payments, and agreed actual reserve balances and payments to those required by debt covenants.

*a) Procedure Results – Not required due to no exceptions in this category in the prior year.*

*Other*

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23. We obtained a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. We selected all misappropriations on the listing, obtained supporting documentation, and observed that the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

a) *Procedure Results – We noted no exceptions, management represented that they are aware of one instance of misappropriation and have reported the misappropriation to the legislative auditor and the district attorney.*

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

a) *Procedure Results – We noted no exceptions.*

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

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

Respectfully,

*Johnson, Thomas + Cunningham, CPA's*  
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Johnson, Thomas & Cunningham, CPA's

December 14, 2018  
Natchitoches, Louisiana

Natchitoches Tax Commission  
Management's Response to Exceptions to  
Statewide Agreed-Upon Procedures  
For the Year Ended June 30, 2018

MANAGEMENT'S RESPONSE TO EXCEPTIONS:

Item 2: Exception – There is no direct reference to monthly budget-to-actual comparisons in the board minutes.

Response – We will list all financial reports individually on board minutes.

Item 3: Exception – There is no evidence that outstanding items in excess of 12 months have been researched.

Response – We will document our research and plan for handling outstanding items in excess of 12 months.

Item 7: Exception – Receipts are not pre-numbered.

Response – We will purchase pre-numbered cash receipts.