

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2018

HILL, INZINA & COMPANY

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TABLE OF CONTENTS

	Page(s)
INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	1 - 3
REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)	
Management's discussion and analysis	4 - 8
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statements of net position - governmental activities	9
Statement of activities - governmental activities	10
Fund financial statements:	
Balance sheet - governmental fund - general fund	11
Statement of revenues, expenditures, and changes in fund balance - governmental fund - general fund	12
Reconciliation of governmental fund balance sheet to government-wide statement of net position	13
Reconciliation of governmental fund statement of revenues, expenditures, and changes in fund balance to government-wide statement of activities	14
Notes to financial statements	15 - 35
REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)	
Budgetary comparison schedule - governmental fund - general fund	36 and 37
Schedule of proportionate share of net pension liability	38
Schedule of contributions	39
Schedule of changes in the total OPEB liability and related ratios	40
OTHER SUPPLEMENTARY INFORMATION	
Schedule of compensation, benefits, and other payments to agency head	41
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	42 and 43
SCHEDULE OF FINDINGS AND QUESTIONED COSTS WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION	44 - 50

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

51

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

Opinions

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

Current Year Adoption of New Accounting Standard and Restatement of Net Position

As described in Note 8 to the financial statements, for the year ended June 30, 2018, the Commission adopted a new accounting standard, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The schedule of compensation, benefits and other payments to agency head is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

/s/ Hill, Inzina & Co.

October 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION (Part 1 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

MANAGEMENT'S DISCUSSION AND ANALYSIS
As of and for the Year Ended June 30, 2018

As management of Morehouse Sales Tax and Use Tax Commission (the "Commission"), we offer readers of the Commission's financial statements this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2018. This discussion and analysis of management is designed to provide an objective and easy to read analysis of the Commission's financial activities based on currently known facts, decisions, or conditions. It is intended to provide readers with a broad overview of the Commission's finances. It is also intended to provide readers with an analysis of the Commission's short-term and long-term activities based on information presented in the financial report and fiscal policies that have been adopted by the Commission. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the Commission's financial activity, identify changes in the Commission's financial position (its ability to address the next and subsequent years' challenges), identify any material deviations from the financial plan (approved budget), and identify individual issues or concerns of individual funds.

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

Overview of the Financial Statements

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

1. Government-wide financial statements

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

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

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

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

2. Fund financial statements

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

3. Notes to financial statements

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

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

Government-Wide Financial Analysis

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

	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 682,348	\$ 696,206
Capital assets, net of depreciation	<u>26,710</u>	<u>32,811</u>
Total assets	<u>\$ 709,058</u>	<u>\$ 729,017</u>
 Deferred outflows of resources	 <u>\$ 124,167</u>	 <u>\$ 135,571</u>
 Other liabilities	 \$ 492,727	 \$ 476,763
Long-term liabilities	<u>510,498</u>	<u>435,055</u>
Total liabilities	<u>\$ 1,003,225</u>	<u>\$ 911,818</u>
 Deferred inflows of resources	 <u>\$ 15,312</u>	 <u>\$ 17,703</u>
 Net position:		
Invested in capital asset	\$ 26,710	\$ 32,811
Unrestricted (deficit)	<u>(212,022)</u>	<u>(97,744)</u>
 Total net position (deficit)	 <u><u>\$(185,312)</u></u>	 <u><u>\$(64,933)</u></u>

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

By far the largest portion of the Commission's net position as of June 30, 2018 consists of the investment in capital assets (furniture, equipment, and a vehicle). The Commission uses these capital assets to provide services to users of its services; consequently, these assets are not available for future spending.

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

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 291,718	\$ 320,106
General revenues:		
Interest and miscellaneous	<u>13,522</u>	<u>1,891</u>
Total revenues	\$ 305,240	\$ 321,997
Expenses:		
Current:		
General government	<u>363,105</u>	<u>340,001</u>
Change in net position	\$(57,865)	\$(18,004)
Net position (deficit) - beginning (restated)	<u>(127,447)</u>	<u>(49,329)</u>
Net position (deficit) - ending	<u><u>\$(185,312)</u></u>	<u><u>\$(64,933)</u></u>

The Commission's program revenues decreased by \$28,388 with the total cost of all programs and services increasing by \$23,104.

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

Financial Analysis of Governmental Funds

As of June 30, 2018, the Commission's governmental fund reported an ending fund balance of \$189,621, a decrease of \$29,822 from \$219,443 as of June 30, 2017. The fund balance was unassigned for both years.

General Fund Budgetary Highlights

The Commission made no amendments to its original budget for the year ended June 30, 2018. Actual revenues of \$299,686 failed to meet the budgeted revenues of \$317,407 by \$17,721 or 5.6%.

Capital Assets

The Commission's investment in capital assets, net of accumulated depreciation, for the governmental activities as of June 30, 2018 was \$26,710 compared to \$32,811 as of June 30, 2017. In the current fiscal year, the Commission made no major purchases.

Economic Factors and Next Year's Budget

The Commission foresees minimal changes in operations for the next fiscal year. The budget originally adopted for the year ending June 30, 2019 included increased revenues of only \$4,319 and decreased expenditures of \$15,681 from the final budget adopted for the year ended June 30, 2018.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
June 30, 2018

ASSETS

Cash	\$ 84,434
Certificates of deposit	100,000
Restricted cash	497,914
Capital assets, net of depreciation	<u>26,710</u>
Total assets	<u>\$ 709,058</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pensions	<u>\$ 124,167</u>
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LIABILITIES

Accounts payable	\$ 2,792
Payable from restricted cash	489,935
Long-term liabilities:	
Due within one year	2,633
Due in more than one year	12,882
Net pension liability	377,491
Net other postemployment benefit ("OPEB") obligation	<u>117,492</u>
Total liabilities	<u>\$ 1,003,225</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pension	<u>\$ 15,312</u>
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NET POSITION

Invested in capital assets	\$ 26,710
Unrestricted (deficit)	<u>(212,022)</u>
Total net position (deficit)	<u><u>\$ (185,312)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
As of and for the Year Ended June 30, 2018

Expenses:	
Current:	
General government:	
Personal services	\$ 278,939
Operating services	37,507
Professional services	33,240
Travel and education	4,968
Depreciation	<u>8,451</u>
Total expenses	\$ 363,105
Program revenues:	
Charges for services	<u>291,718</u>
Net program revenue	\$(71,387)
General revenues:	
Interest and miscellaneous	<u>13,522</u>
Change in net position	\$(57,865)
Net position (deficit) - beginning (restated)	<u>(127,447)</u>
Net position (deficit) - ending	<u><u>\$(185,312)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND
June 30, 2018

ASSETS

Cash	\$ 84,434
Certificates of deposit	100,000
Restricted cash	<u>497,914</u>
Total assets	<u>\$ 682,348</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Accounts payable	\$ 2,792
Payable from restricted cash	<u>489,935</u>
Total liabilities	\$ 492,727
Fund balance - unassigned	<u>189,621</u>
Total liabilities and fund balance	<u>\$ 682,348</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2018

Revenues:		
Charges for services	\$	291,718
Interest and miscellaneous		<u>7,968</u>
Total revenues	\$	<u>299,686</u>
Expenditures:		
Current:		
General government:		
Personal services	\$	251,443
Operating services		37,507
Professional services		33,240
Travel and education		4,968
Capital outlay		<u>2,350</u>
Total expenditures	\$	<u>329,508</u>
Net change in fund balance	\$	(29,822)
Fund balance - beginning		<u>219,443</u>
Fund balance - ending	\$	<u>189,621</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO GOVERNMENT-WIDE STATEMENT OF NET POSITION
As of and for the Year Ended June 30, 2018

Total fund balance - governmental fund balance sheet	\$ 189,621
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	26,710
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(15,515)
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	(377,491)
Net effect of deferred outflows of resources and deferred inflows of resources related to pensions do not require the use of current financial resources and therefore are not reported in the funds.	108,855
Contributions to the OPEB obligation are reported as expenditures in the governmental funds. However, these amounts are reported as a reduction of long-term liabilities in the governmental activities.	<u>(117,492)</u>
Total net position (deficit) of governmental activities - government-wide statement of net position	<u><u>\$(185,312)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

RECONCILIATION OF GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
TO GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
As of and for the Year Ended June 30, 2018

Net change in fund balance - governmental fund	\$(29,822)
Amounts reported for governmental activities in statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$8,451) exceeded capital outlay (\$2,350) in the current period.	(6,101)
Proportionate share of non-employer contributions to pension plans do not provide current financial resources and are not reported as revenue in the governmental funds.	5,554
Governmental funds report current year pension contributions as expenditures. However, in the statement of activities, these contributions are reported as deferred inflows of resources and the proportionate share of the plans' pension expense is reported as such.	(20,575)
Compensated absences and OPEB obligations reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.	<u>(6,921)</u>
Change in net position - government-wide statement of activities	<u><u>\$(57,865)</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended June 30, 2018

Note 1. Organization and Summary of Significant Accounting Policies

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

Government-Wide Financial Statements:

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

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

Fund Financial Statements:

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

Fund Type and Major Fund:

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

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

Budgets and Budgetary Accounting:

The budget for the General Fund was proposed by the Commission’s administrator and formally adopted by the Board of Commissioners on June 13, 2017. The annual budget is prepared in accordance with the basis of accounting utilized by the fund. The Commission’s administrator is authorized to transfer budgeted amounts within the functions; however, any revisions that alter total expenditures, resulting from revenues exceeding amounts estimated, require approval of the Commissioners. All annual appropriations lapse at the end of each fiscal year.

NOTES TO FINANCIAL STATEMENTS

Use of Estimates:

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

Cash:

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

Certificates of Deposit:

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

Restricted Assets:

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

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

Capital Assets and Depreciation:

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

NOTES TO FINANCIAL STATEMENTS

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

Accumulated Compensated Absences Recorded as Long-Term Liabilities:

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

Pensions:

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

Deferred Outflows/Inflows of Resources:

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

NOTES TO FINANCIAL STATEMENTS

Equity Classifications:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

Revenue Recognition:

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

Note 2. Deposits with Financial Institutions

As of June 30, 2018, the Commission had cash and certificates of deposit (book balances) as follows:

Interest-bearing demand deposits	\$ 582,148
Certificates of deposit	100,000
Petty cash	<u>200</u>
	<u>\$ 682,348</u>

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

As of June 30, 2018, the Commission had \$693,891 in deposits (collected bank balances). These deposits were secured from risk by \$350,000 of federal deposit insurance and \$343,891 of pledged securities held by the counterparty's trust department or agent in the Commission's name.

There were no repurchase or reverse repurchase agreements as of June 30, 2018.

The Commission had not formally adopted deposit and investment policies as of June 30, 2018 that limit the Commission's allowable deposits or investments and address the specific types of risk to which the Commission might be exposed.

Note 3. Restricted Cash and Liability Payable from Same

Restricted assets of \$496,414 consist of funds required to be maintained and the use is restricted to the repayment of sales taxes paid under protest.

NOTES TO FINANCIAL STATEMENTS

Note 4. Capital Assets

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

	Balance July 1, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
Capital assets being depreciated:				
Furniture and equipment	\$ 74,873	\$ 2,350	\$(1,691)	\$ 75,532
Vehicle	<u>27,731</u>	<u>-</u>	<u>-</u>	<u>27,731</u>
Total capital assets being depreciated	<u>\$ 102,604</u>	<u>\$ 2,350</u>	<u>\$(1,691)</u>	<u>\$ 103,263</u>
Less accumulated depreciation:				
Furniture and equipment	\$(42,062)	\$(8,451)	\$ 1,691	\$(48,822)
Vehicle	<u>(27,731)</u>	<u>-</u>	<u>-</u>	<u>(27,731)</u>
Total accumulated depreciation	<u>\$(69,793)</u>	<u>\$(8,451)</u>	<u>\$ 1,691</u>	<u>\$(76,553)</u>
Total capital assets being depreciated, net	<u>\$ 32,811</u>	<u>\$(6,101)</u>	<u>\$ -</u>	<u>\$ 26,710</u>

Note 5. Long-Term Liabilities

The following is a summary of the transactions of the Commission's long-term liabilities for the year ended June 30, 2018:

	Compensated <u>Absences</u>
Balance - July 1, 2017	\$ 10,496
Net additions (deletions)	<u>5,019</u>
Balance - June 30, 2018	<u>\$ 15,515</u>

NOTES TO FINANCIAL STATEMENTS

The following is a summary of the current (due within one year) and long-term (due within more than one year) portions of long-term liabilities as of June 30, 2018:

	Compensated <u>Absences</u>
Current portion	\$ 2,633
Long-term portion	<u>12,882</u>
Total	<u>\$ 15,515</u>

As of June 30, 2018, employees of the Commission had accumulated and vested compensated absences which were computed in accordance with GASB Statement No. 16. The total amount accrued as of June 30, 2018 is reported in the statement of net position as long-term liabilities.

Note 6. Pension Plan and Other Pension Liabilities

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

General Information About MERS:

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

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

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

For the years ended June 30, 2017 and 2016, the actual employer contribution rates were 22.75% and 19.75%, respectively, and the actuarially required contribution rates were 22.75% and 19.75%, respectively. The current statutes require that rates be actuarially determined each year.

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

NOTES TO FINANCIAL STATEMENTS

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

<u>Asset Class</u>	<u>Long-Term Target Asset Allocation</u>	<u>Expected Portfolio Real Rate of Return</u>
Public fixed income	35%	1.60%
Public equity	50%	2.30%
Alternatives	<u>15%</u>	<u>.70%</u>
Totals	<u>100%</u>	4.60%
Inflation		<u>2.60%</u>
Expected arithmetic nominal return		<u>7.20%</u>

Under Plan A, members are required by state statute to contribute 9.50% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 24.75% of annual covered payroll. Contributions to MERS also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls of each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active member of each plan. The contribution requirements of plan members and the Commissions are established and may be amended by state statute. As provided by Louisiana Revised Statute 11:103, the employer contributions are determined by actuarial valuation and are subject to change each year based on the results of the valuation for the prior fiscal year. The Commission's contributions to the System under Plan A for the years ended June 30, 2018, 2017, and 2016 were \$41,733, \$37,281, and \$31,976, respectively, equal to the required contributions for each year.

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

As of June 30, 2018 and 2017, the Commission reported a total of \$377,491 and \$371,483, respectively, for its proportionate shares of the net pension liability of MERS.

The net pension liabilities was measured as of June 30, 2017 and 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of those dates. The Commission's proportion of the net pension liability was based on projections of the Commission's long-term share of contributions to MERS relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportions of MERS for both fiscal years ended June 30, 2017 and 2016 were .09%.

For the years ended June 30, 2017 and 2016, the Commission recognized pension expense of \$64,098 and \$56,272, respectively.

NOTES TO FINANCIAL STATEMENTS

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

	<u>2018</u>	<u>2017</u>
Deferred outflows of resources:		
Changes in proportion	\$ -	\$ 1,572
Changes in assumptions	6,313	13,523
Net difference between projected and actual earnings on pension plan investments	76,121	84,836
Commission's contributions subsequent to the measurement date	<u>41,733</u>	<u>35,640</u>
Total deferred outflows of resources	<u>\$ 124,167</u>	<u>\$ 135,571</u>
Deferred inflows of resources:		
Changes in proportion	\$ 3,816	\$ 5,961
Differences between expected and actual experience	<u>11,496</u>	<u>11,742</u>
Total deferred inflows of resources	<u>\$ 15,312</u>	<u>\$ 17,703</u>

The deferred outflows of resources related to pensions resulting from the Commission's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and all amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>		
2019		\$ 17,402
2020		29,789
2021		16,516
2022		3,415
2023		-
Thereafter		-

NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions:

The total pension liabilities in the June 30, 2017 actuarial valuations for MERS were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.78%
Salary increases	5.00%
Investment rate of return	7.40%
Actuarial cost method	entry age normal
Expected remaining service lives	3 years

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

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

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

The following presents the Commission's proportionate shares of the net pension liability of MERS as of June 30, 2018, calculated using the discount rates as shown above, as well as what the Commission's proportionate share of the net pension liability would be if they were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate of 7.4%:

<u>1% Decrease</u>	<u>Current</u> <u>Discount Rate</u>	<u>1% Increase</u>
\$ 481,049	\$ 377,491	\$ 289,159

Pension Plan Fiduciary Net Position:

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

NOTES TO FINANCIAL STATEMENTS

Note 7. Postemployment Benefits Other than Pensions

Benefits and Contributions:

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

The Commission pays 100% of the premium for eligible retirees and 50% for their eligible dependents.

The following table shows the development of the fiscal year 2018 benefits paid by the Commission:

Actual premiums paid	\$ 6,882
Implicit subsidy	-
Retiree contribution	(1,147)
Subtotal	\$ 5,735
Interest on benefits	<u>104</u>
Total benefits paid by Commission	<u>\$ 5,839</u>

As of June 30, 2018, two inactive employees and three active employees were currently receiving benefit payments.

Actuarial Methods and Assumptions:

Lewis & Ellis, Actuaries and Consultants, (L&E) valuation of the Commission's plan is based on assumptions with regard to the survival of plan members, the average per-capita claims costs, when current employees are expected to retire, and so forth. The assumptions were derived from a combination of plan experience and actuarial judgement and are disclosed in an appendix attached to L&E's report on the analysis of the post-retirement health benefits provided by the Commission dated November 25, 2018.

NOTES TO FINANCIAL STATEMENTS

The following changes were made to assumptions since the July 1, 2015 valuation under GASB 45:

Retirement, turnover, and disability rates -L&E updated the retirement, turnover, and disability rates to reflect changes in the June 30, 2017 MERS pension valuation.

Mortality rates -The mortality assumption uses the same fully generational RPH-2014 Employee Table for active employees, the RPH-2014 Disabled Retiree Table for disabled retirees, and the RPH-2014 Healthy Annuitant table for retirees and their spouses. However, the mortality improvement scale was updated to MP-2018 from MP-2105.

Age factors - L&E updated age factors from the prior valuation based on L&E's updated 2018 medical manual.

Spousal assumption - The prior valuation assumed that 45% of employees were married. The current valuation assumes that 35% of employees will be married. This resulted in a decrease in the liability.

Discount rate - The prior valuation discount rate was 3.5%. The current valuation's discount rate of 3.62% is discussed further below. This change lowered the liability.

Discount Rate:

One of the most important assumptions is the discount rate, which is used by the model to compute the present value of future post-retirement benefits. The higher the discount rate, the lower the present values, and therefore the OPEB cost. For plans that are not funded through irrevocable trust, paragraph 155 of GASB 75 requires that the discount rate equal the "expected yield or index rate for 20-year, tax-exempt obligation municipal bonds with an average rating of AA/As or higher..." determined as of the measurement date, which in this case is June 30, 2018.

For the valuation, L&E used the Fidelity General Obligation AA 20 Year Yield as of the measurement date which is 3.62%.

Recognition of Deferred Outflows and Inflows of Resources:

According to paragraph 157 of GASB 75, differences between (1) the expected and actual experience and (2) the changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive members) determined as of the beginning of the measurement period.

NOTES TO FINANCIAL STATEMENTS

As of July 1, 2017, for purposes of recognizing the applicable deferred outflows and inflows of resources in the 2018 fiscal year, the closed period was determined as follows:

Total expected remaining service lives of all employees (years)	14
Total plan members	5
Average expected remaining service life (years)	3

Affordable Care Act Excise Tax on High Cost Employer-Sponsored Health Coverage:

Paragraph 151 of GASB 75 requires to “include taxes or other assessments expected to be imposed on benefit payments...”. GASB 45 makes no mention of including such taxes, and previous valuations have not included the cost of the so-called “Cadillac Tax” on high-cost health plans, which is the result of the Affordable Care Act (the “ACA”).

The Cadillac tax is a 40% excise tax on high-cost employer health benefit plans. It is scheduled to be implemented in 2022, which was delayed from 2018. Under the ACA, if the aggregate cost of employer-sponsored health insurance coverage for an employee or retiree (including surviving spouses) exceeds \$10,200 for individual coverage and \$27,500 for family coverage, a non-deductible 40% excise tax is applied to the amount of the employee benefit that exceeds the tax threshold. The threshold amounts are increase by the Consumer Price Index and include an addition 1% in 2019.

Based on the Commission’s benefits offered to their retirees, L&E has estimated that the earliest the Commission would be subject to the excise tax is 2018 for the HMO plan members and 2035 for Freedom plan members. L&E doesn’t expect the Medicare Advantage plan to be subject to the tax. L&E expects that the impact of including the excise tax would be less than a 2% increase in the liability. Therefore, no taxes or assessments are included in the projected benefit payments.

Approach and Methodology:

L&E’s general approach was to apply assumed retirement probabilities and survivorship factors to the current profile of covered members, along with projected benefits, expenses, and retiree contributions, to estimate total OPEB benefits for further retirees and their dependents over each individual’s respective lifetime.

L&E’s projections were based on employee census information and premium rates for the benefits provided by the Commission. L&E reviewed the data for reasonableness but did not audit it. To the extent that there were material inaccuracies in the data, L&E’s results are accordingly affected.

NOTES TO FINANCIAL STATEMENTS

The Commission provided L&E with a current census of active and retired employees, including age, current plan elected, and dependent status. The data was taken as of July 1, 2017 (actuarial valuation date). There were two retirees and three active employees included in L&E's projection.

L&E's actuarial model computed a present value of all future net costs (after recognition of retiree contributions) and allocated a portion of that present value to the current fiscal year. The methodology of that allocation is called an "Actuarial Cost Method". GASB 75 requires the use of the Entry Age, Level Percent of Pay method.

For current employees, the Entry Age cost method spread the actuarial present value of future benefits (the "PVB") from the employee's date of hire to the expected retirement date as a level percent of expected salary. The portion of the PVB attributable to the current fiscal year is called the Service Cost under GASB 75. The portion attributable to service prior to the current fiscal year is called the Total OPEB Liability under GASB 75.

Changes in Total OPEB Liability:

Balance - June 30, 2017	\$ 1,513,315
Eliminate net GASB 45 difference	<u>(1,397,725)</u>
Balance - June 30, 2017 - restated	\$ 115,590
Changes for the year:	
Service cost	3,242
Interest	4,196
Differences between actual and expected experience	303
Benefit payments	<u>(5,839)</u>
Balance - June 30, 2018	<u><u>\$ 117,492</u></u>

Sensitivity of Total OPEB Liability:

	<u>1% Decrease</u>	<u>No Change</u>	<u>1% Increase</u>
Discount rate	\$ 134,519	\$ 117,492	\$ 103,709
Healthcare cost trend rates	\$ 101,737	\$ 117,492	\$ 137,392

NOTES TO FINANCIAL STATEMENTS

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

OPEB expense:	
Service cost	\$ 3,242
Interest on liabilities	4,196
Difference between actual and expected experience	101
Total OPEB expense	\$ 7,539

Deferred outflows and inflows:

	<u>Outflows</u>	<u>Inflows</u>
Difference between actual and expected experience	\$ 202	\$ -

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

<u>Year Ending June 30,</u>	
2019	\$ 101
2020	101

Note 8. Current Year Adoption of New Accounting Standard and Restatement of Net Position

The Commission adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This standard requires that the Commission's beginning net position be restated to reflect the effects of this change in accounting principle. The following provides a summary of the change in the total net position as of June 30, 2017 in the government-wide financial statements:

Total net position (deficit) - June 30, 2017, as previously reported	\$(64,933)
Remove GASB 45 6-30-17 liability	53,076
Add GASB 75 6-30-17 liability	(115,590)
Total net position (deficit) - June 30, 2017, restated	\$(127,447)

NOTES TO FINANCIAL STATEMENTS

Note 9. Changes in Due to Taxing Bodies

Balance July 1, 2017	\$ <u> -</u>
Collections:	
Sales and use tax	\$ 16,019,207
Hotel/motel occupancy tax	46,078
Interest and miscellaneous	<u>509</u>
Total collections	<u>\$ 16,065,794</u>
Remittances:	
Taxes distributed:	
Sales and use	\$ 15,704,260
Hotel/motel occupancy	46,078
Refunded sales and use tax	12,042
Collection fee to Morehouse Sales and Use Tax Commission	291,116
Other	<u>12,298</u>
Total remittances	<u>\$ 16,065,794</u>
Balance June 30, 2018	\$ <u> -</u>

The following details the collections and fees remitted to the Commission by each entity for the year ended June 30, 2018:

	<u>Total</u> <u>Collections</u>	<u>Collection</u> <u>Cost</u>	<u>Final</u> <u>Distribution</u>
Morehouse Parish School Board (2%)	\$ 5,982,129	\$ 108,875	\$ 5,873,254
Morehouse Parish Police Jury (.5%)	1,495,524	27,218	1,468,306
Morehouse Parish Police Jury			
Sales Tax District No. 1 (.5%)	99,919	1,819	98,100
Morehouse Parish Sheriff (.5%)	1,495,524	27,218	1,468,306
Law Enforcement Subdistrict No.1(1%)	902,204	16,420	885,784
City of Bastrop (2.5%)	4,722,244	85,945	4,636,299
City of Bastrop Sales Tax			
District No. 1 (.5%)	943,199	17,166	926,033
Village of Mer Rouge (2%)	288,014	5,242	282,772
Village of Bonita (2%)	41,639	758	40,881
Village of Collinston (2%)	<u>24,980</u>	<u>455</u>	<u>24,525</u>
Totals	<u>\$ 15,995,376</u>	<u>\$ 291,116</u>	<u>\$ 15,704,260</u>

NOTES TO FINANCIAL STATEMENTS

Note 10. Contingencies and Risk Management

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

As of June 30, 2018, the Commission and other similarly situated local taxing authorities have outstanding claims for refunds of sales taxes.

The Commission's legal counsel has instructed the local tax administrator not to release or disburse any taxes that have been paid under protest and are being held in escrow, and not to refund any taxes which the taxpayers are claiming to be entitled to receive. Counsel opines that the Commission is in a favorable prevailing posture but the outlook for this case remains uncertain. The parties will continue to contest claims vigorously and seek judicial involvement for the ultimate resolution of this case.

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

The Commission has been sued by a company protesting an assessment issued for tax, penalty, and interest amounting to \$342,171. The parties are currently in the process of conducting discovery. The Commission's legal counsel is unable to say whether the parties will ultimately pursue settlement or seek to litigate the claims and defenses. As such, the collection of this tax is uncertain; however, the Commission is currently optimistic about the satisfactory outcome of this case.

Note 11. Subsequent Events

Management of the Commission evaluated subsequent events through the date that the financial statements were available to be issued, October 31, 2018, and determined that no events had occurred requiring disclosure. No subsequent events occurring after this date were evaluated for inclusion in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (Part 2 of 2)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND
As of and for the Year Ended June 30, 2018

	<u>Budget</u>		<u>Actual</u>	Variance -
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
Revenues:				
Charges for services	\$ 316,407	\$ 316,407	\$ 291,718	\$(24,689)
Interest and miscellaneous	<u>1,000</u>	<u>1,000</u>	<u>7,968</u>	<u>6,968</u>
Total revenues	<u>\$ 317,407</u>	<u>\$ 317,407</u>	<u>\$ 299,686</u>	<u>\$(17,721)</u>
Expenditures:				
Current:				
General government:				
Personal services:				
Salaries	\$ 170,330	\$ 170,330	\$ 168,617	\$ 1,713
Retirement	41,786	43,786	43,338	448
Group health insurance	42,360	42,360	36,997	5,363
Payroll taxes	2,563	2,563	2,445	118
Workers' compensation insurance	1,618	1,618	46	1,572
Unemployment insurance	<u>1,000</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
Total personal services	<u>\$ 259,657</u>	<u>\$ 261,657</u>	<u>\$ 251,443</u>	<u>\$ 10,214</u>
Operating services:				
Bank fees	\$ 1,050	\$ 1,050	\$ 1,148	\$(98)
Dues and subscriptions	1,300	1,300	935	365
Postage and permits	2,800	2,800	2,728	72
Telephone	4,400	4,400	4,492	(92)
Office rent and utilities	11,000	11,500	11,527	(27)
Repairs and maintenance	10,800	10,800	9,780	1,020
Office supplies	4,500	4,500	3,441	1,059
Computer upgrades	<u>3,000</u>	<u>3,500</u>	<u>3,456</u>	<u>44</u>
Total operating services	<u>\$ 38,850</u>	<u>\$ 39,850</u>	<u>\$ 37,507</u>	<u>\$ 2,343</u>

(continued)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

BUDGETARY COMPARISON SCHEDULE - GOVERNMENTAL FUND - GENERAL FUND
(Continued)
As of and for the Year Ended June 30, 2018

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Professional services:				
Legal	\$ 11,000	\$ 15,000	\$ 14,323	\$ 677
Audit	9,500	18,000	13,785	4,215
Insurance	<u>2,900</u>	<u>5,400</u>	<u>5,132</u>	<u>268</u>
Total professional services	<u>\$ 23,400</u>	<u>\$ 38,400</u>	<u>\$ 33,240</u>	<u>\$ 5,160</u>
Travel and education	<u>\$ 12,500</u>	<u>\$ 12,500</u>	<u>\$ 4,968</u>	<u>\$ 7,532</u>
Capital outlay	<u>\$ 3,000</u>	<u>\$ 5,000</u>	<u>\$ 2,350</u>	<u>\$ 2,650</u>
Total general fund expenditures	<u>\$ 337,407</u>	<u>\$ 357,407</u>	<u>\$ 329,508</u>	<u>\$ 27,899</u>
Net change in fund balance	\$(20,000)	\$(40,000)	\$(29,822)	\$ 10,178
Fund balance - beginning	<u>20,000</u>	<u>40,000</u>	<u>219,443</u>	<u>179,443</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 189,621</u></u>	<u><u>\$ 189,621</u></u>

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

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

	<u>Year Ended June 30,</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of net pension liability	.09%	.09%	.09%	.09%
Proportionate share of net pension liability	\$ 377,491	\$ 371,483	\$ 334,522	\$ 236,223
Covered employees' payroll	\$ 163,872	\$ 161,902	\$ 159,833	\$ 139,739
Proportionate share of net pension liability as a percentage of covered employees' payroll	230.36%	229.45%	209.29%	169.05%
Plan fiduciary net position as a percentage of total pension liability	62.49%	62.11%	66.18%	75.45%

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

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

	<u>2018</u>	<u>Year Ended June 30,</u>		<u>2015</u>
		<u>2017</u>	<u>2016</u>	
Contractually required contribution	\$ 37,281	\$ 31,976	\$ 31,567	\$ 28,995
Contributions in relation to contractually required contribution	<u>37,281</u>	<u>31,976</u>	<u>31,567</u>	<u>28,995</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employees' payroll	\$ 163,872	\$ 161,902	\$ 159,833	\$ 139,734
Contribution as a percentage of covered employees' payroll	22.75%	19.75%	19.75%	20.75%

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
June 30, 2018

Total OPEB liability:

Service cost	\$ 3,242
Interest	4,196
Change of benefit terms	-
Differences between actual and expected experience	303
Benefit payments	<u>(5,839)</u>
Net change in total OPEB liability	\$ 1,902
Total OPEB liability - beginning	<u>115,590</u>
Total OPEB liability - ending	<u>\$ 117,492</u>
Covered employee payroll	\$ 92,725
Total OPEB liability as a percentage of covered employee payroll	126.7%

Notes to schedule:

There were no changes of benefit terms.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. 3.62% is the discount rate used in 2018.

OTHER SUPPLEMENTARY INFORMATION

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS,
AND OTHER PAYMENTS TO AGENCY HEAD
As of and For the Year Ended June 30, 2018

The Commission paid the administrator's salary of \$69,175 during the year ended June 30, 2018.

HILL, INZINA & COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission ("Commission"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 31, 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as items 2018-1, 2018-4, and 2018-6 that we consider to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2018-2, 2018-3, and 2018-5.

Commission's Response to Finding

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

Purpose of this Report

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

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

/s/ Hill, Inzina & Co.

October 31, 2018

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
WITH MANAGEMENT'S RESPONSE AND PLANNED CORRECTIVE ACTION
As of and for the Year Ended June 30, 2018

We have audited the financial statements of the governmental activities and each major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2018, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated October 31, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of June 30, 2018 resulted in an unqualified opinion.

Section I - Summary of Auditor's Report

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Internal Control

Significant Deficiencies Yes No

Material Weaknesses Yes No

Compliance

Material to Financial Statements Yes No

Section II - Financial Statement Findings

2018-1 Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the year ended June 30, 1994)

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

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

Cause: The condition is due to economic limitations.

Effect: Not determined.

Recommendation: No action is recommended.

Management's response and planned corrective action: We concur in the finding, but it is not economically feasible for corrective action to be taken.

2018-2 Noncompliance with Local Government Budget Act (initial citing)

Criteria: The Local Government Budget Act requires that the chief executive officer or equivalent notify in writing the governing authority during the year when actual receipts and other financing sources plus projected revenue collections and other financing sources for the year fail to meet budgeted revenues and other financing sources by 5% or more, or when actual expenditures and other financing uses plus projected expenditures and other financing uses to year end exceed budgeted expenditures and other financing uses by 5% or more.

Condition: The Commission's actual revenues and other financing sources of \$299,686 failed to meet budgeted revenues and other financing sources of \$317,407 for the year ended June 30, 2018 by \$17,721 or 5.6%.

Cause: The unfavorable variance of actual revenues not meeting budgeted revenues was because the Commission's Administrator was considering fund balance to be an other financing source.

Effect: The Commission is in violation of the Local Government Budget Act.

Recommendation: The Local Government Budget Act should be reviewed to ensure compliance with all requirements.

Management's response and planned corrective action: The Board was e-mailed on May 1, 2018, a proposed amended budget for fiscal year ending June 30, 2018 showing that the revenue would be below the 5% margin. Also, the proposed amended budget was discussed in the May 8, 2018 board meeting, but was tabled until the June 2018 meeting for a vote. In the June 5, 2018 board meeting, the budget was amended, and per the previous conversation with the auditor, the additional revenue source was listed as fund balance.

2018-3 Noncompliance with Open Meetings Law (initial citing)

- Criteria: Written, public notice is to be given for all regular, special, or rescheduled meetings in compliance with LA R.S. 42:19 no later than 24 hours before the meeting. Such notice shall include the agenda, date, time, and place of the meeting.
- Condition: Agendas were prepared for all meetings held during the year ended June 30, 2018 but none were properly nor timely posted.
- Cause: The Commissioner's Administrator was not aware of or did not comply with the provisions of the Open Meetings Law provided in LA R.S. 42:11 through 42:28.
- Effect: The members of the Board of Commissioners nor the public were timely made aware of the meeting agendas, dates, times, and places of the meetings.
- Recommendation: The Commissioner's Administrator should review the statutes applicable to the Open Meetings Law and abide accordingly.
- Management's response and planned corrective action: Requested documentation from auditor of proof that agenda was not posted, which was not provided. Since being employed at the Commission, the Administrator has always posted it on the Commission's office door, never on the door of the police jury office where the meetings are actually held.

2018-4 Advanced Wages and Possible Payroll Fraud (initial citing)

- Criteria: Wages should not be advanced to employees nor payroll liabilities paid on behalf of employees before the deductions are actually deducted from their earned payroll.
- Condition: Two payrolls in October of 2018 of one of the Commission's employees was "made available for use", per details provided by a local bank, on Saturday before the actual payroll period ended the next Tuesday. The payroll checks actually cleared the employee's bank account on Monday. This same situation occurred again in November of 2018.

Group insurance premiums for July 2018 coverage of the Commissioner's Assistant Administrator were remitted on June 28, 2018 with no amounts being withheld from her personal June payroll checks to cover the expense.

It was also noted that each employee is allowed to take off one-half day with pay on their birthday but this has never been specifically approved by the Board of Commissioners nor is it allowed by the personnel policy.

Cause: The Commissioner's Administrator was not adequately monitoring the payroll function and the personnel policy.

Effect: The Commission or its employees may have committed possible payroll fraud or allowed it to occur.

Recommendation: Do not advance wages to employees nor pay payroll related liabilities until the funds have actually been withheld from the employee. Do not pay employees for time off unless specifically approved by the board.

Management's response and planned corrective action:

The payroll is sent by ACH and on two occasions incorrect effective dates were set for Monday instead of Tuesday. This error has been corrected by processing the payroll on Tuesday with an effective date of Wednesday.

The coverage for the Assistant Administrator's insurance premium was the Commission's portion of the family coverage and her portion was paid by personal check to City of Bastrop.

Corrective action is to change payroll ACH effective date to Wednesday and monitor the time sheets to ensure there is no time off unless authorized.

2018-5 Violation of Article VII, Section 14 of the Louisiana Constitution of 1974 (initial citing)

Criteria: The Section provides that funds, credit, property, or things of value of any political subdivision shall not be loaned, pledged, or donated to or for any person, association, or corporations.

Condition: Sufficient effort is not being made by the Commission's administrators to collect delinquent sales taxes receivable.

The Commission has no written policy for collecting delinquent receivables.

All delinquent accounts are not reported or not of the correct amount in the software. Paper documents of delinquent accounts should be reconciled to the software generated reports at least monthly.

Billing adjustments are not approved by someone who is not involved in the billing process nor has access to the software.

Numerous taxpayers are not even timely filing the required monthly or quarterly tax returns much less paying the taxes due.

Some cash payments are being held in the Administrator's office until month's end.

Payment plans have been provided to some taxpayers with delinquent accounts, some taxpayers having more than one payment plan.

Cause: Legal counsel has not been encouraged to be proactive in the collection process (i.e., closing businesses, filing suits, collecting non-sufficient fund checks, etc.).

Effect: The failure to establish or to adhere to collection policies and procedures could result in a loss of assets distributable to the taxing bodies.

Recommendation: Delinquent accounts should be pursued vigorously for payment. Adjustments to taxpayers' accounts should not be made until written approval has been obtained from the Board of Commissioners.

Management's response and planned corrective action: The information that was presented by the auditor is misinformation that was obtained from two employees of the Commission instead of requesting and discussing the information with the Administrator. The Commission is constrained in the collection process by the legal expense line item in the budget, especially since one court case and

one board of tax appeals case are being defending. In an e-mail request for additional information, the auditor stated that a review of a deposit consisting of delinquent collections was one of the reasons she thought efforts were not made to collect delinquent accounts. Another reason was that she didn't know if the Administrator had complied with a delinquent taxpayer's request for a meeting. If the auditor had spoken with the Administrator instead of other employees, she would have known that the administrator had met with the taxpayer twice. Sales tax reporting is on the honor system, self-reporting, which explains why some reports are not timely filed. There is no way to report the amount delinquent in the system until a report is filed or audited. There are no duplicate payment plans, nor does the administrator hold payments in his desk. The auditor's request that billing adjustments should be approved by someone other than the agency head is contrary to the Joint Agreement. The Joint Agreement, which established the Commission, states "the administrator shall have complete control and authority with respect to the administration of the affairs of the Commission...". Although, there is no policy for collecting delinquent accounts, there is procedure for handling delinquents, which would have been provided if the auditor had spoken to the administrator.

2018-6 Inadequate Purchase Procedures (initial citing)

Criteria: Management is responsible for establishing and implementing internal control policies and procedures to ensure that purchases are (1) reasonable and necessary; (2) budgeted; (3) documented and approved; (4) received and safeguarded; and (5) used solely for the public purposes/functions of the Commission.

Condition: In a random selection of 24 disbursements totaling \$10,602 made by the Commission during the year ended June 30, 2018, 15 (36% of the total dollar examined and 63% of the total number examined) were not approved in writing by the Chairman of the Board of Commission in accordance with the board's standing policy (such policy in effect prior to the adoption of revised policies on June 5, 2018).

Of the same 24 disbursements selected, invoices for three (13% of the total examined) were not signed by an employee as evidence that the good/service was received.

Cause: Management of the Commission has not accepted the value of establishing internal control policies and requiring all employees' adherence thereto.

Effect: The failure to establish or to adhere to internal control policies and procedures could result in a loss of assets from transactions that are not in accordance with management's authorization.

Recommendation: Payments to vendors should not be made until written approval has been obtained and evidence of receipt have been provided.

Management's response and planned corrective action:

The auditor was sent a request to provide a copy of the policy stating that the Chairman of the Board was to approve in writing all purchases. In her response, she stated there wasn't a policy, but a "standing policy" which I have never heard of in my 22 years at the Commission. In her response, she want to know why the Chairman approved some and not all purchases. The Chairman does not approve any purchase, Since the chairman signs checks to have two singatures, he initials the invoice. In accordance with the Joint Agreement, Article 4 (9), the Administrator's duties shall include the making of necessary purchases or lease of equipment, supplies and materials. The auditor did not supply copies of the invoices that she stated were not signed as being received. Therefore, the Administrator cannot correctly respond to the finding, when documentation was not provided.

Section III - Management Letter

None issued.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
As of and for the Year Ended June 30, 2018

Section II - Financial Statement Findings

2017-1 Inadequate Segregation of Duties

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

Unresolved - 2018-1.

Section III - Management Letter

None issued.

HILL, INZINA & COMPANY

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

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

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

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

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain and inspect the Commission's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the Commission's operations):¹
 - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
**The Board of Commissioners approved a budgeting policy at their June 5, 2018 meeting but the policy did not address the specific procedures for monitoring the budget.
 - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

¹ For governmental organization, the practitioner may eliminate those categories and subcategories that do not apply to the organization's operations. For quasi-public organizations, including non-profits, the practitioner may eliminate those categories and subcategories that do not apply to public funds administered by the quasi-public.

**The Board of Commissioners approved a purchasing policy at their June 5, 2018 meeting but the policy did not address the specific procedures as to (1) how purchases are initiated, (2) how vendors are added to the vendor list, nor (3) how purchase requisitions and purchase orders will be prepared and approved.

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

**The Board of Commissioners approved a disbursements policy at their June 5, 2018 meeting.

- d) **Receipts/Collections**, 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).

**The Board of Commissioners approved a receipts/collections policy at their June 5, 2018 meeting but the policy did not include management's actions to determine the completeness of all collections.

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

**The Board of Commissioners requested some minor changes to the current payroll/personnel policy at their June 5, 2018 meeting to clarify lunch breaks, sick time, and funeral leave. This revised policy was shared with the Board of Commissioners at their July 20, 2018 meeting.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

**The Board of Commissioners approved a contracting policy at their June 5, 2018 meeting.

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

**The Board of Commissioners approved a credit card policy at their June 5, 2018 meeting.

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

**The Board of Commissioners approved again the current travel and expense reimbursement policy at their June 5, 2018 meeting.

- i) **Ethics**², 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 Commission’s ethics policy.

**The Board of Commissioners approved an ethics policy at their June 5, 2018 meeting.

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

**The Board of Commissioners approved an indebtedness and debt service policy at their June 5, 2018 meeting.

Board or Finance Committee³

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

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

**The “Joint Agreement for Collection of Sales and Use Taxes” provides for meetings to be called by the Commission’s administrator upon request of the chairman of the board or any four members but does not specify the frequency. The Board of Commissioners met for the first time during the fiscal period on February 8, 2018 and then voted at the next meeting held on April 19, 2018 to meet monthly until a decision is made to discontinue.

- b) For those entities reporting on the governmental accounting model, observe that the minutes referenced or included monthly budget-to-actual comparisons on the general fund.

**Minutes for two of the four meetings held during the fiscal period did not reference or include budget-to-actual comparisons on the general fund.

- c) For governmental entities, obtain the prior year audit report and observe 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, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

**The general fund did not have a negative ending unrestricted fund balance in the prior year audit report.

Bank Reconciliations

² The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the non-profit should have written policies and procedures relating to ethics.

³ These procedures are not applicable to entities managed by a single elected official, such as sheriff or assessor.

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the Commission's main operating account. Select the Commission's main operating account and randomly select four additional accounts⁴ (or all accounts if less than five). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for each selected account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within two months of the related statement closing date (e.g., initialed and dated, electronically logged);
**Evidence was provided that monthly bank reconciliations were prepared for the Commission's two checking accounts and on a quarterly basis for the Commission's three savings accounts within two months of the related statement closing date.
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks had reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
** There was no evidence as to who prepared the selected reconciliations or that a member of management/board member had reviewed each bank reconciliation.
 - c) Management has documentation reflecting that it had researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.
**None of the selected reconciliations had reconciling items that had been outstanding for more than 12 months from the statement closing date.

Collections

4. Obtain a listing of deposit sites⁵ for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select five deposit sites (or all deposit sites if less than five).
5. For each deposit site selected, obtain a listing of collection locations⁶ and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. five collection locations for five deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
 - a) Employees that are responsible for cash collections do not share cash drawers/registers.
**All employees of the Commission are responsible for cash collections and do share cash drawers.

⁴ Accounts selected may exclude savings and investment accounts that are not part of the entity's daily business operations.

⁵ A deposit site is a physical location where a deposit is prepared and reconciled.

⁶ A collection location is a physical location where cash is collected. An entity may have one or more collection locations whose collections are brought to a deposit site for deposit.

- b) 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.
- **All employees of the Commission are responsible for the duties listed and sometimes without any oversight or reconciliation from another employee.
- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
- **All employees of the Commission are responsible for the duties listed and sometimes without any oversight or reconciliation from another employee.
- d) 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.
- e) **All employees of the Commission are responsible for the duties listed and sometimes without any oversight or reconciliation from another employee.
6. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft.
- **Supporting documentation was examined verifying that all employees who had access to cash were covered by bonds.
7. Randomly select two deposit dates for each of the five bank accounts selected for procedure #3 under “Bank Reconciliations” above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day)⁷. *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the ten deposits and:
- a) Observe that receipts are sequentially pre-numbered.
- **Only three receipts were written for any of the collections included in the four deposits selected and were sequentially pre-numbered. The Commission does not issue receipts for any tender other than cash unless the taxpayer request.
- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- **Receipts, reports, and other documentation was traced to the deposit slips.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- **Deposit slips for the four deposits selected agreed with the actual deposits per the bank statements.

⁷ If “bank reconciliations” have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for bank reconciliations.

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

**Of the three receipts issued for cash collections totaling \$1,518, none were made within one business day of receipt at the collection location.

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

**The deposits were traced from the bank statements to the general ledger.

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

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

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

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

**The Commission does not use a requisition/purchase order system or an equivalent electronic system so that job duties are properly segregated.

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

**The Commission's administrator stated that the assistant administrator initiates a purchase request, prints the pending order, and places the order after being approved by the administrator. No documentation was provided by the Commission to substantiate the statement. Some payments to vendors are approved by the chairman of the Board of Commissioners before signing the checks.

- c) 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.

**The Commission's administrator stated that the assistant administrator processes payments and adds/modifies vendor files while the administrator periodically reviews vendor information. No documentation was provided by the Commission to substantiate the statement.

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

**The Commission's administrator stated that the assistant administrator who processes payments either carries the payments to the local post office or puts them in the outgoing mail box. No documentation was provided by the Commission to substantiate the statement.

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

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

**The five randomly selected disbursements matched the related original invoice/billing statement.

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

**See #9. There is inadequate segregation of duties.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

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

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

a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]]

**The selected monthly credit card statements were reviewed and approved, in writing, by the chairman of the Board of Commissioners. The debit card transactions on the monthly bank statement selected were observed and were supported by the original receipts signed only by the authorized card holder, the Commission's administrator. The debit card charges were initialed by the Commission's assistant administrator on the bank statement.

b) Observe that finance charges and late fees were not assessed on the selected statements.

**No finance charges and/or late fees were assessed on the selected card statements.

13. Using the monthly statements or combined statements selected under #12 above, excluding fuel cards, randomly select ten transactions (or all transactions if less than ten) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have ten transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only).

**The selected transactions were supported by (1) an original itemed receipt identifying precisely what was purchased, (2) documentation of the business/public purpose, and (3) documentation of the individuals participating in meals.

Travel and Travel-Related Expense Reimbursements⁸ (excluding card transactions)

14. Obtain 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. Randomly select five reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. The Commission only paid four related reimbursements during the fiscal period and for each of those reimbursements selected:

- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

**Of the nine individual meals in the selection that were reimbursed using a per diem rate, six (67%) were reimbursed at rates exceeding those established by the State of Louisiana or GSA. The one instance of mileage reimbursement did not exceed the rates.

- b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

**The only meal reimbursed using actual costs was supported by an original itemized receipt that identified precisely what was purchased.

- c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).

**Each selected reimbursement was supported by the required documentation.

- d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

⁸ Non-travel reimbursements are not required to be tested under this category.

****One of the four reimbursements made by check to employees of the Commission was not reviewed and approved, in writing, by someone other than the person receiving reimbursement.**

Contracts

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management's representation that the listing is complete. Randomly select five contracts (or all contracts if less than five) from the listing, excluding the practitioner's contract, and:
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law⁹ (e.g., solicited quotes or bids, advertised), if required by law.
 - b) Observe that the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).
 - c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment.
 - d) Randomly select one payment from the fiscal period for each of the five contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

****The Commission's administrator stated that there were no agreements or contracts of any kind or construction activities signed or initiated during the fiscal year.**

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

****The Commission only had four full-time employees; therefore, all were included in the selection. Payroll of \$168,617 was recorded for the fiscal year ended June 30, 2018 while \$170,330 was budgeted.**

17. Randomly select one pay period during the fiscal period. For the four employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the

⁹ If the entity has adopted the state Procurement Code, replace "Louisiana Public Bid Law" with "Louisiana Procurement Code."

elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

**All selected employees documented their daily attendance and leave for the one pay period selected during the fiscal period.

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

**The Commission's administrator's time sheet was not signed as being approved and the administrator did not sign as approving one of the other three employees' records.

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

**All leave accrued or taken during the selected pay period was reflected in the Commission's cumulative leave records. No documentation was provided as to the reason any of the compensation time was earned by the Commission's administrator (68.25 hours) and assistant administrator (100 hours) during the entire fiscal period.

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

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

- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

**Management provided representation that all payments were made timely and the associated forms were filed by the required deadlines.

*Ethics*¹⁰

- 20. Using the four selected employees/officials from procedure #16 under "Payroll and Personnel" above¹¹, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.

**All employees completed one hour of ethics training during the fiscal period.

¹⁰ The Louisiana Code of Ethics is generally not applicable to non-profit entities but may be applicable in certain situations, such as councils on aging. If ethics is applicable to a non-profit, the procedures should be performed.

¹¹ If "payroll and personnel" have been rotated off for Year 2, the practitioner should insert a procedure with the same selection methodology that would have been used for payroll and personnel.

- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the Commission's ethics policy during the fiscal period.

**All employees attested through signature verification that they had read the Commission's ethics policy during the fiscal period.

Other

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

**The Commission's administrator stated in writing that "to my knowledge, there were no misappropriations of public funds and assets during the fiscal period".

**While performing the agreed-upon procedures, the following matters were noted:

The Commission's administrator stated that compensatory time is earned while driving before or after normal scheduled work hours to or from a conference.

The Commission's administrator is a certified public accountant and his annual dues to the Society of Louisiana Certified Public Accountants were paid by the Commission. This certification is not required to be employed as the administrator.

Dues totaling \$377 were paid during the fiscal period for the Commission's administrator to attend the local Lion's Club luncheon meetings.

The purchase of candy to be distributed at festivals is prohibited as is the purchase of drinks consumed strictly by the Commission's employees.

22. Observe that the Commission has posted on its premises¹² and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.¹³

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

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.

¹² Observation may be limited to those premises that are visited during the performance of other procedures under the AUPs.

¹³ This notice is available for download or print at www.lfa.la.gov/hotline.

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

/s/ Hill, Inzina & Co.

Bastrop, Louisiana

November 30, 2018

Management's Response to Agreed-Upon Procedures

The overall cause of the majority of the citations for the agreed-upon procedures is due to inadequate segregation of duties for the Commission which is difficult with only four employees. Therefore, it is not economically feasible to hire additional personnel to segregate those duties.

Although the budgeting policy did not mention the specific procedures for monitoring the budget, the administrator prepares a spreadsheet that is provided to each board member monthly which includes a list of revenues and expenses for the month. This spreadsheet also shows year-to-date totals, budgeted amount remaining for each category, and percentage of budget used.

The auditor was informed that the administrator does the bank reconciliations, and that the administrator is one of the two employees that are considered management. The board is not part of management and the bank statements include information that is not to be reviewed or shared with anyone outside of the Commission's office.

It was stated that the administrator's time sheet was not signed as being approved. Since the administrator has no supervisor and operates as the agency head, there is no one to sign the administrator's time sheet. It was stated that no documentation was provided for compensation time earned or used, but the Commission has been using the same method since the auditor informed the Commission in the early 2000's to keep a time sheet of hours worked, overtime, and compensation time used or earned with no objections or write-ups regarding this method.