

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

FINANCIAL REPORT

June 30, 2023

**HILL, INZINA & COMPANY**

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# HILL, INZINA & COMPANY

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

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

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission as of June 30, 2023, 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.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are required to be independent of the Commission, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Management's Responsibilities 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, and for 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.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; the budgetary comparison schedule; the schedule of proportionate share of net pension liability; the schedule of contributions; and the schedule of changes in total OPEB liability and related ratios be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by 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 GAAS, 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.

The schedule of compensation, benefits, and other payments to agency head is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of compensation, benefits, and other payments to agency head 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 December 15, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial

reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

*/s/ Hill, Inzina & Co.*

December 15, 2023

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, 2023

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, 2023. 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 that 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. The difference between the assets and deferred outflows of resources and the liabilities and deferred inflows of resources 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 fund. 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. Statement of fiduciary fund net assets

Fiduciary (agency) funds are used to account for resources collected and held for the benefit of taxing bodies.

## 4. 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>2023</u>	<u>2022</u>
Current and other assets	\$ 1,132,476	\$ 979,998
Capital assets, net of depreciation	<u>12,640</u>	<u>12,366</u>
Total assets	<u>\$ 1,145,116</u>	<u>\$ 992,364</u>
 Deferred outflows of resources	 <u>\$ 82,536</u>	 <u>\$ 36,174</u>
 Other liabilities	 \$ 428,709	 \$ 408,072
Long-term liabilities	<u>334,311</u>	<u>255,370</u>
Total liabilities	<u>\$ 763,020</u>	<u>\$ 663,442</u>
 Deferred inflows of resources	 <u>\$ 5,495</u>	 <u>\$ 76,829</u>
 Net position:		
Investment in capital asset	\$ 12,640	\$ 12,366
Restricted	6,480	6,480
Unrestricted	<u>440,017</u>	<u>269,421</u>
 Total net position	 <u><u>\$ 459,137</u></u>	 <u><u>\$ 288,267</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.

The Commission's net position as of June 30, 2023 consists of the investment in capital assets (furniture, equipment, and a vehicle), restricted assets, and unrestricted assets. The Commission uses the 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>2023</u>	<u>2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 420,016	\$ 408,707
General revenues:		
Interest and miscellaneous	<u>753</u>	<u>4,414</u>
Total revenues	\$ 420,769	\$ 413,121
Expenses:		
Current:		
General government	<u>248,188</u>	<u>187,363</u>
Change in net position	\$ 172,581	\$ 225,758
Net position - beginning	288,267	72,726
Prior period adjustment - investment in capital assets overstated	<u>( 1,711)</u>	<u>( 10,217)</u>
Net position - ending	<u>\$ 459,137</u>	<u>\$ 288,267</u>

The Commission's program revenues increased \$7,648 with the total cost of all programs and services also increasing by \$60,825.

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, 2023, the Commission's governmental fund reported an ending fund balance of \$703,767, an increase of \$131,841 from \$571,926 as of June 30, 2022. All of the fund balance was unassigned for both years ended June 30, 2023 and June 30, 2022 except for \$6,480 restricted for the repayment of sales taxes paid under protest.

#### General Fund Budgetary Highlights

The Commission approved revisions to its original budget for the year ended June 30, 2023 at a meeting held on June 9, 2023. There were no unfavorable variances between the budgeted and actual revenues and the budgeted and actual expenditures.

## Capital Assets

The Commission's investment in capital assets, net of accumulated depreciation, for the governmental activities as of June 30, 2023 was \$12,640 compared to \$12,366 as of June 30, 2022. In the current fiscal year, the Commission made capital outlay expenditures costing only \$4,564. A net prior period adjustment of \$1,711 was recorded to correct an overstatement of the net investment in capital assets reported as of June 30, 2022.

## Liabilities

Liabilities for both net pension and other postemployment benefits (OPEB) are reported in the Commission's statement of net position for governmental activities as of June 30, 2023. Additional information about these liabilities are presented in the notes to financial statements.

## Economic Factors and Next Year's Budget

The Commission foresees minimal changes in operations for the next fiscal year. The original budget adopted for the year ended June 30, 2024 included both revenues and expenditures of \$390,200 compared to final budgeted revenues of \$411,159 and expenditures of \$290,428 for the year ended June 30, 2023.

## 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 Milzokiya White, 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, 2023

ASSETS

Cash	\$ 604,712
Certificates of deposit	100,000
Restricted cash	427,764
Capital assets, net of depreciation	<u>12,640</u>
Total assets	<u>\$ 1,145,116</u>

DEFERRED OUTFLOWS OF RESOURCES

Resources related to pension	<u>\$ 82,536</u>
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LIABILITIES

Employee withholdings	\$ 7,425
Payable from restricted cash	421,284
Net pension liability	229,022
Net OPEB obligation	<u>105,289</u>
Total liabilities	<u>\$ 763,020</u>

DEFERRED INFLOWS OF RESOURCES

Resources related to pension	<u>\$ 5,495</u>
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NET POSITION

Investment in capital assets	\$ 12,640
Restricted	6,480
Unrestricted	<u>440,017</u>
Total net position	<u>\$ 459,137</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, 2023

Expenses:	
Current:	
General government:	
Personal services	\$ 153,437
Operating services	60,557
Professional services	27,454
Travel and education	4,161
Depreciation	<u>2,579</u>
Total expenses	\$ 248,188
Program revenues:	
Charges for services	<u>420,016</u>
Net program revenue	\$ 171,828
General revenues:	
Interest and miscellaneous	<u>753</u>
Change in net position	\$ 172,581
Net position - beginning	288,267
Prior period adjustment - investment in capital assets overstated	<u>( 1,711)</u>
Net position - ending	<u><u>\$ 459,137</u></u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUND - GENERAL FUND  
June 30, 2023

ASSETS

Cash	\$ 604,712
Certificates of deposit	100,000
Restricted cash	<u>427,764</u>
Total assets	<u>\$ 1,132,476</u>

LIABILITIES

Liabilities:	
Employee withholdings	\$ 7,425
Payable from restricted cash	<u>421,284</u>
Total liabilities	<u>\$ 428,709</u>

FUND BALANCE

Restricted	\$ 6,480
Unassigned	<u>697,287</u>
Total fund balance	<u>\$ 703,767</u>
Total liabilities and fund balance	<u>\$ 1,132,476</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, 2023

Revenues:	
Charges for services	\$ 416,089
Interest and miscellaneous	753
Total revenues	<u>\$ 416,842</u>
Expenditures:	
Current:	
General government:	
Personal services	\$ 188,265
Operating services	60,557
Professional services	27,454
Travel and education	4,161
Capital outlay	4,564
Total expenditures	<u>\$ 285,001</u>
Net change in fund balance	\$ 131,841
Fund balance - beginning	<u>571,926</u>
Fund balance - ending	<u><u>\$ 703,767</u></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, 2023

Total fund balance - governmental fund balance sheet	\$ 703,767
Amounts reported for governmental activities in statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.	12,640
Net pension liability does not require the use of current financial resources and therefore is not reported in the funds.	( 229,022)
Net effect of deferred outflows of resources and deferred inflows of resources related to pension do not require the use of current financial resources and therefore are not reported in the funds.	77,041
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>( 105,289)</u>
Total net position of governmental activities - government-wide statement of net position	<u>\$ 459,137</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, 2023

Net change in fund balance - governmental fund	\$ 131,841
Amounts reported for governmental activities in statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$4,564) exceeded depreciation (\$2,579) in the current period.	1,985
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.	3,927
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.	27,733
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>7,095</u>
Change in net position - government-wide statement of activities	<u>\$ 172,581</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

STATEMENT OF FIDUCIARY FUND NET ASSETS - AGENCY FUND  
June 30, 2023

ASSETS

Cash	<u>\$ 241,326</u>
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LIABILITIES

Due to taxing bodies	<u>\$ 241,326</u>
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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, 2022

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. These resources are not available to support the Commission.

### 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 14, 2022 with one amendment approved June 9, 2023. 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. If vacation time is not exhausted by the end of fiscal year, the employee loses it. There is no “rollover” to the next fiscal year for unused vacation time. If an employee is unable to utilize all vacation days earned during the fiscal year, then the unused portion (maximum of five days or forty hours) shall be credited to employee’s extended sick leave.

Estimated accrued compensated absences resulting from unused vacation and compensatory time at the end of the fiscal year, if any, 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 financial statements, equity is classified as net position and displayed in three components:

1. Investment in capital assets - consists of capital assets net of accumulated depreciation.
2. Restricted net position - 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 position - all other assets that do not meet the definition of “restricted” or “investment in capital assets”.

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, 2023, the Commission had cash, restricted cash, and certificates of deposit (book balances) as follows:

Interest-bearing demand deposits	\$ 1,273,552
Certificates of deposit	100,000
Petty cash	<u>250</u>
	<u>\$ 1,373,802</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 and deposited with an unaffiliated 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.

As of June 30, 2023, the Commission had \$1,272,065 in deposits (collected bank balances). These deposits were secured from risk by \$350,000 of federal deposit insurance and \$922,065 of pledged securities held by Raymond James.

There were no repurchase or reverse repurchase agreements as of June 30, 2023.

The Commission had not formally adopted deposit and investment policies as of June 30, 2023 that limited the Commission's allowable deposits or investments and addressed the specific types of risk to which the Commission might be exposed.

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

Restricted cash of \$427,764 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, 2023 of the Commission is as follows:

	Balance July 1, <u>2022</u>	<u>Increases</u>	Prior Period Adjustment/ <u>Decreases</u>	Balance June 30, <u>2023</u>
Capital assets being depreciated:				
Leasehold improvements	\$ 12,000	\$ -	\$ -	\$ 12,000
Furniture and equipment	56,512	4,564	( 4,139)	56,937
Vehicle	<u>27,731</u>	<u>-</u>	<u>-</u>	<u>27,731</u>
Total capital assets being depreciated	<u>\$ 96,243</u>	<u>\$ 4,564</u>	<u>\$( 4,139)</u>	<u>\$ 96,668</u>
Less accumulated depreciation:				
Leasehold improvements	\$( 3,590)	\$( 1,026)	\$ -	\$( 4,616)
Furniture and equipment	( 52,556)	( 1,553)	2,428	( 51,681)
Vehicle	<u>( 27,731)</u>	<u>-</u>	<u>-</u>	<u>( 27,731)</u>
Total accumulated depreciation	<u>\$( 83,877)</u>	<u>\$( 2,579)</u>	<u>\$ 2,428</u>	<u>\$( 84,028)</u>
Total capital assets being depreciated, net	<u>\$ 12,366</u>	<u>\$ 1,985</u>	<u>\$( 1,711)</u>	<u>\$ 12,640</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 5. 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 members, 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.

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.

## NOTES TO FINANCIAL STATEMENTS

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, 2023 and 2022, the actual employer contribution rates were 29.50% for both and the actuarially required contribution rates were the same. State 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.

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	38%	1.65%
Public equity	53%	2.31%
Alternatives	<u>9%</u>	<u>.39%</u>
Totals	<u>100%</u>	4.35%
Inflation		<u>2.60%</u>
Expected arithmetic nominal return		<u>6.95%</u>

Under Plan A, members are required by state statute to contribute 10.00% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 29.75% 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, 2023, 2022, and 2021 were \$33,232, \$30,896, and \$30,021, respectively, equal to the required contributions for each year.

## NOTES TO FINANCIAL STATEMENTS

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

As of June 30, 2023 and 2022, the Commission reported a total of \$229,022 and \$142,986, respectively, for its proportionate shares of the net pension liability of MERS.

The net pension liabilities were measured as of June 30, 2022 and 2021, 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 a projection of the Commission's long-term contributions to MERS relative to the projected contributions of all participating employers, actuarially determined. The Commission's proportions of MERS as of June 30, 2023 and 2022 were .055 and .051%, respectively.

For the years ended June 30, 2023 and 2022, the Commission recognized pension expense of \$7,406 and (\$33,754) respectively.

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, 2023:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ 8,705	\$ 4,618
Changes in assumptions	2,220	-
Differences between expected and actual experience	271	877
Net difference between projected and actual earnings on pension plan investments	38,108	-
Contributions subsequent to measurement date	<u>33,232</u>	<u>-</u>
 Total deferred outflows/inflows of resources	 <u>\$ 82,536</u>	 <u>\$ 5,495</u>

## NOTES TO FINANCIAL STATEMENTS

The deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30,</u>		
2024	\$	10,264
2025		11,622
2026		3,647
2027		18,275
2028		-
Thereafter		-

### Actuarial Assumptions:

The total pension liabilities in the June 30, 2022 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurements:

Inflation	2.50%
Salary increases	4.50% - 6.40%
Investment rate of return	6.85%
Actuarial cost method	entry age normal
Expected remaining service lives	3 years

Mortality rates were based on the PubG-2010(B) Employee Table for active members, Healthy Annuitant Table for healthy annuitants, and PubNS-2010(B) Disabled Retiree Table 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 will be made at the actuarially determined rates approved by the Louisiana Public Retirement Systems' Actuarial Committee, taking into consideration the recommendation of the system's actuary. Based on these assumptions, MERS' fiduciary 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.

NOTES TO FINANCIAL STATEMENTS

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

The following presents the Commission’s proportionate share of the net pension liability of MERS as of June 30, 2022, calculated using the discount rates as shown above, as well as what the 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 6.85%:

	Current		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	\$ 304,644	\$ 229,022	\$ 165,124

Pension Plan Fiduciary Net Position:

Detailed information about the plan’s fiduciary net position is available in the separately issued financial statements of MERS.

Note 7. Postemployment Health Care Benefits

Plan Description, Benefits Provided, and Funding Policy:

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. The plan does not issue a stand-alone financial report. Additionally, no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post Employment Benefits Other than Pensions*.

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 Disabled 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.

Effective July 1, 2022, the City eliminated the HMO plan and offers the Freedom plan and Medicare Advantage plan.

## NOTES TO FINANCIAL STATEMENTS

### Employees Covered by Benefit Terms:

As of June 30, 2023, two inactive employees and three active employees were currently receiving benefit payments.

### Actuarial Assumptions and Other Inputs:

The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified.

Measurement date	June 30, 2023
Actuarial valuation date	July 1, 2021
Inflation	2.40%
Salary increases, including inflation	3.00%
Discount rate	3.86%
Prior year discount rate	3.69%

The discount rate was based on the June 30, 2023 Fidelity General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the PubG.H-2010 Employee Mortality Table, Generational with Projection Scale MP-2021 for males or females, as appropriate.

Mortality rates for retirees were based on the PubG.H-2010 Healthy Retiree Mortality Table, Generational with Projection Scale MP-2021 for males or females, as appropriate.

Mortality rates for retirees were based on the PubG.H-2010 Disabled Mortality Table, Generational with Projection Scale MP-2021 for males or females, as appropriate.

NOTES TO FINANCIAL STATEMENTS

Changes in Total OPEB Liability:

Balance - June 30, 2022	<u>\$ 112,384</u>
Changes for the year:	
Service cost	\$ 3,408
Interest	4,312
Difference between actual and expected experience	846
Changes in assumptions/inputs	( 7,499)
Benefit payments	<u>( 8,162)</u>
Net changes	<u>\$( 7,095)</u>
 Balance - June 30, 2023	 <u><u>\$ 105,289</u></u>

For the year ended June 30, 2023, the covered employee payroll was \$109,027 and the total OPEB liability as a percentage of covered employee payroll was 96.6%.

Sensitivity of Total OPEB Liability:

	1% Decrease	No Change	1% Increase
Discount rate (3.86%)	\$ 121,216	\$ 105,289	\$ 92,622
Healthcare cost trend rates	\$ 89,703	\$ 105,289	\$ 125,478

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

OPEB expense:	
Service cost	\$ 3,408
Interest on liabilities	4,312
Difference between actual and expected experience	7,938
Changes in assumptions/inputs	<u>( 16,305)</u>
Total OPEB expense	<u><u>\$( 647)</u></u>

Deferred outflows and inflows:

	Outflows	Inflows
Difference between actual and expected experience	\$ 8,220	\$ -
Changes in assumptions/inputs	<u>-</u>	<u>18,804</u>
Total deferred outflows and inflows	<u><u>\$ 8,220</u></u>	<u><u>\$ 18,804</u></u>

## NOTES TO FINANCIAL STATEMENTS

Amounts reported for deferred outflows of resources and deferred inflows of resources related to OPEB expense of \$(8,366) and (\$2,218) will be recognized in the years ending June 30, 2024 and 2025, respectively.

### Note 8. Changes in Due to Taxing Bodies

Balance July 1, 2022	<u>\$ 107,867</u>
Collections:	
Sales and use tax	\$ 23,295,125
Hotel/motel occupancy tax	49,672
Interest and miscellaneous	<u>852</u>
Total collections	<u>\$ 23,345,649</u>
Remittances:	
Taxes distributed:	
Sales and use	\$ 22,667,417
Hotel/motel occupancy	49,672
Refunded sales and use tax	62,312
Revenue recovery fees	15,987
Collection fee to Commission	415,492
Other	<u>1,310</u>
Total remittances	<u>\$ 23,212,190</u>
Balance June 30, 2023	<u><u>\$ 241,326</u></u>

## NOTES TO FINANCIAL STATEMENTS

The following details the collections and fees remitted to the Commission by each entity for the year ended June 30, 2023:

	Total Sales/Use Tax <u>Collections</u>	Collection <u>Cost</u>	Final <u>Distribution</u>
Morehouse Parish School Board (2%)	\$ 9,029,006	\$ 162,522	\$ 8,866,484
Morehouse Parish Police Jury (.5%)	2,257,244	40,630	2,216,614
Morehouse Parish Police Jury			
Sales Tax District No. 1 (.5%)	228,360	4,111	224,249
Morehouse Parish Sheriff (.5%)	2,257,244	40,630	2,216,614
Law Enforcement Subdistrict No.1(1%)	1,696,352	30,534	1,665,818
City of Bastrop (2.5%)	5,903,736	106,267	5,797,469
City of Bastrop Sales Tax			
District No. 1 (.5%)	1,179,017	21,222	1,157,795
Village of Mer Rouge (2%)	420,969	7,578	413,391
Village of Bonita (2%)	62,010	1,116	60,894
Village of Collinston (2%)	<u>48,971</u>	<u>882</u>	<u>48,089</u>
Totals	<u>\$ 23,082,909</u>	<u>\$ 415,492</u>	<u>\$ 22,667,417</u>

### 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, 2023, the Commission and other similarly situated local taxing authorities have outstanding claims for refunds of sales taxes.

The Commission's legal counsel has advised that all monies paid under protest by Fresenius can be disbursed from escrow provided that the Commission is comfortable that Fresenius has not timely filed suit for refund of the same. While this action seems puzzling, legal counsel states that this is the current course Fresenius is pursuing. The Commission should be prepared for Fresenius to likely file suit at some point in the future, but the amount in controversy will be limited to only the funds paid under protest within thirty days of such an anticipated suit.

## NOTES TO FINANCIAL STATEMENTS

The Commission has been sued by a company protesting an assessment issued for tax, penalties, and interest amounting to \$342,171. The parties are currently in the process of conducting formal discovery and have completed a site inspection of various property at issue; however, there are discussions about the parties entering into an amicable compromise and settlement of the amounts at issue. 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, December 15, 2023, and determined that no significant 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, 2023

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	Variance - Favorable <u>(Unfavorable)</u>
Revenues:				
Charges for services	\$ 360,700	\$ 410,278	\$ 416,089	\$ 5,811
Interest and miscellaneous	800	880	753	( 127)
Total revenues	<u>\$ 361,500</u>	<u>\$ 411,158</u>	<u>\$ 416,842</u>	<u>\$ 5,684</u>
Expenditures:				
Current:				
General government:				
Personal services	\$ 239,000	\$ 197,373	\$ 188,265	\$ 9,108
Operating services	66,800	51,781	60,557	( 8,776)
Professional services	35,200	30,040	27,454	2,586
Travel and education	6,000	3,695	4,161	( 466)
Capital outlay	14,500	7,538	4,564	2,974
Total expenditures	<u>\$ 361,500</u>	<u>\$ 290,427</u>	<u>\$ 285,001</u>	<u>\$ 5,426</u>
Net change in fund balance	\$ -	\$ 120,731	\$ 131,841	\$ 11,110
Fund balance - beginning	<u>429,111</u>	<u>429,111</u>	<u>571,926</u>	<u>142,815</u>
Fund balance - ending	<u>\$ 429,111</u>	<u>\$ 549,842</u>	<u>\$ 703,767</u>	<u>\$ 153,925</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 Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Proportion of net pension liability	.05%	.05%	.06%	.08%	.09%	.09%	.09%	.09%	.09%
Proportionate share of net pension liability	\$ 229,022	\$ 142,986	\$ 237,839	\$ 315,456	\$ 382,421	\$ 377,491	\$ 371,483	\$ 334,522	\$ 236,223
Covered employees' payroll	\$ 105,685	\$ 101,768	\$ 105,145	\$ 139,750	\$ 168,617	\$ 163,872	\$ 161,902	\$ 159,833	\$ 139,734
Proportionate share of net pension liability as a percentage of covered employees' payroll	216.70%	140.50%	226.20%	225.73%	226.80%	230.36%	229.45%	209.29%	169.05%
Plan fiduciary net position as a percentage of total pension liability	68.08%	77.82%	64.52%	64.68%	63.94%	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 Ended June 30

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 31,177	\$ 30,021	\$ 29,178	\$ 36,335	\$ 41,733	\$ 37,281	\$ 31,976	\$ 31,567	\$ 28,995
Contributions in relation to contractually required contribution	<u>31,177</u>	<u>30,021</u>	<u>29,178</u>	<u>36,335</u>	<u>41,733</u>	<u>37,281</u>	<u>31,976</u>	<u>31,567</u>	<u>28,995</u>
Contribution deficiency	<u>\$ -</u>								
Covered employees' payroll	\$ 105,685	\$ 101,768	\$ 105,145	\$ 139,750	\$ 168,617	\$ 163,872	\$ 161,902	\$ 159,833	\$ 139,734
Contribution as a percentage of covered employees' payroll	29.50%	29.50%	27.75%	26.00%	24.75%	22.75%	19.75%	19.75%	20.75%

MOREHOUSE SALES AND USE TAX COMMISSION  
BASTROP, LOUISIANA

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

June 30, 2023

Total OPEB liability:

Service cost	\$ 3,408
Interest	4,312
Difference between actual and expected experience	846
Changes in assumptions/inputs	( 7,499)
Benefit payments	( 8,162)
Net change in total OPEB liability	\$( 7,095)
Total OPEB liability - beginning	<u>112,384</u>
Total OPEB liability - ending	<u>\$ 105,289</u>
Covered employee payroll	\$ 109,027
Total OPEB liability as a percentage of covered employee payroll	96.6%

Notes to schedule:

There were no changes in benefit terms.

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. 3.62% was the discount rate used in 2023 and 3.13% was the discount rate used in 2022.

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, 2023

Agency Head Name: Milzokiya White, Administrator

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 58,892
Insurance	8,060
Retirement	<u>17,373</u>
Total compensation, benefits, and other payments to agency head	<u>\$ 84,325</u>

# HILL, INZINA & COMPANY

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (“Commission”), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission’s basic financial statements, and have issued our report thereon dated December 15, 2023.

## 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) as a basis for designing 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 have not been identified. Given these limitations, during our audit, we did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-1 that we consider to be a material weakness.

### Compliance and Other Matters

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

### Commission's Response to Finding

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

### 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.

December 15, 2023

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, 2023

We have audited the financial statements of the governmental activities and the major fund of Morehouse Sales and Use Tax Commission (the "Commission"), as of and for the year ended June 30, 2023, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated December 15, 2023. 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, 2023 resulted in an unmodified 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

2023-1    Inadequate Segregation of Duties (initially cited in first audit conducted by our firm as of and for the year ended June 30, 1994)

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

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

Cause:                         The condition is due to economic limitations.

Effect:                         Not determined.

Recommendation:    No action is recommended.

Management's  
response and  
planned cor-  
rective action:

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

Section III - Management Letter

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, 2023

Section II - Financial Statement Findings

2022-1 Inadequate Segregation of Duties

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

Unresolved - 2023-1.

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 on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA) Statewide Agreed-Upon Procedures (SAUP) for the fiscal period July 1, 2022 through June 30, 2023. Morehouse Sales and Use Tax Commission's ("Commission") management is responsible for those C/C areas identified in the SAUP.

The Commission has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUP for the fiscal period July 1, 2022 through June 30, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

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

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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):
  - a) ***Budgeting***, including preparing, adopting, monitoring, and amending 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.
  - c) ***Disbursements***, including processing, reviewing, and approving.
  - 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).

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- 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.
- g) **Credit Cards (and debit cards, fuel cards, purchase 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).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the Commission's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/Electronic Municipal Market Access (EMMA) reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.
- l) **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

\*\*The Commission had written policies and procedures addressing the specifics relative to all of the given subjects except for item k).

### ***Board or Finance Committee***

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2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the Commission'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 frequency in accordance with the Commission's enabling legislation, charter, bylaws, or other equivalent document.

\*\*The commissioners met quarterly during the fiscal period except for the December 31<sup>st</sup> quarter. That meeting was combined with the March 31st quarterly meeting.
  - a) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

\*\*The minutes referenced the presentation of budgetary items.
  - b) For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

\*\*The general fund did not have a negative ending unassigned fund balance in the prior year's audit report.
  - c) Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan, at each meeting until the findings were considered fully resolved.

\*\* There was only one previous audit finding with no suggested corrective action recommended by the auditor due to economic feasibility.

### ***Bank Reconciliations***

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3. Obtain a listing of the Commission's 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 four additional accounts (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 or electronically logged).

**\*\*Only one of the four bank accounts' reconciliations included evidence that it was prepared within two months of the related statement closing date.**

- b) Bank reconciliations include written evidence that a member of management or a commissioner who did not handle cash, post ledgers, or issue checks had reviewed each bank reconciliation (e.g., initialed and dated or electronically logged).

**\*\*There was evidence that a commissioner, who was not involved in the transactions, reviewed three of the reconciliations by initialing but not dating.**

- c) Management has documentation reflecting it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**\*\*There was no documentation reflecting that only one item outstanding for more than 12 months from the statement closing date had been researched.**

### ***Collections (excluding electronic funds transfers)***

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- 4. Obtain a listing of deposit sites 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).

**\*\*Management of the Commission provided a listing of deposit sites and representation that the listing was complete.**

- 5. For each deposit site selected, obtain a listing of collection locations 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 responsible for cash collections do not share cash drawers/registers.

**\*\*The Commission's only deposit site did use two cash drawers. Different employees, other than the administrator, had sole access to each drawer. The administrator had access to both drawers for surprise counts.**

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

**\*\*The Commission's collections were made by an employee that also prepared the bank deposit slip. Another employee reviewed the deposit slip.**

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

\*\*The Commission's collections were sometimes made by one employee that also posted collection entries to the general ledger. Another employee reconciled the batch deposit report to the actual deposit that went to the bank.

- 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.

\*\*The Commission's employees responsible for reconciling also were sometimes responsible for collecting but another employee did verify.

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

\*\*Management provided a copy of the insurance policy that was in force during the fiscal period covering all employees of the Commission.

- 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). Obtain supporting documentation for each of the ten deposits and:

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

\*\*The sole receipt issued for a cash collection was pre-numbered.

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

\*\*Sequentially pre-numbered receipts and numbered system reports were traced to the deposit slips.

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

\*\*Deposit slip totals agreed with the actual deposits per the bank statements.

- d) Observe 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 and the cash is stored securely in a locked safe or drawer).

\*\*A check was written from the Commission's disbursement checking account, dated May 25, 2023, and payable to the Commission's operating bank account. The check was not deposited until June 1, 2023. A cash payment was receipted on May 25, 2023 but not deposited until June 1, 2023.

Vendor's sales tax payments received directly at the Commission's location, either personally delivered or by mail, were not documented as to the date received.

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

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

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

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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).

**\*\*Management of the Commission provided a listing of locations that processed payments and representation that the listing was complete.**

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 Commission 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 were involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.

**\*\*Job duties were properly segregated.**

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

**\*\*One of the Commission's employees and a commissioner were involved in processing and approving payments.**

- 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.

**\*\*Job duties were not properly segregated.**

- d) Either the employee or 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.

**\*\*Employees that mail payments are not authorized to sign checks.**

- e) Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

**\*\*One employee, not authorized to sign checks, made ACH and EFT transfers.**

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 whether the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the Commission.

**\*\*The five randomly selected disbursements matched the related original invoice/statement. Supporting documentation indicated deliverables were received.**

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

\*\*The disbursement documentation included evidence of segregation of duties.

- c) Using the Commission's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select five non-payroll-related electronic disbursements (or all electronic disbursements if less than five) and observe that each electronic disbursement was (1) approved by only those persons authorized to disburse funds (e.g., sign checks) per the Commission's policy, and (2) approved by the required number of authorized signers per the Commission's policy. Note: If no electronic payments were made from the main operating account during the month selected, the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

\*\*Two of the five selected disbursements were approved by persons authorized to disburse funds - the Commission's administrator and a commissioner.

#### ***Credit Cards/Debit Cards/Fuel Cards/Purchase Cards***

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11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase 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.

\*\*Management of the Commission provided a listing of all active cards and representation that the listing was 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 (or electronically approved), by someone other than the authorized card holder.

\*\*The selected credit card statement was reviewed and approved, in writing, by someone other than the authorized cardholder. Two of the five debit card charges did not have supporting documentation of review and approval by someone other than authorized cardholder.

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

\*\*No finance charges or late fees were assessed on the selected statement.

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 (a) an original itemized receipt that identifies precisely what was purchased, (b) written documentation of the business/public purpose, and (c) documentation of the individuals participating in meals (for meal charges only).

\*\*The selected transactions were supported by original receipts itemizing what was purchased and the business/public purpose was apparent from the detailed descriptions. None of the transactions were for meal charges.

#### ***Travel and Travel-Related Expense Reimbursements (excluding card transactions)***

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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. For each of the five reimbursements selected:

- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration ([www.gsa.gov](http://www.gsa.gov)).

\*\*All reimbursements were for meals and incidental expenses. Employees were paid \$125 per day for all days including travel days and whether meals were served at the conferences or not. On one occasion, \$125 was paid for a day before the convention started the next day at noon. Travel time to the location was approximately 3.5 hours.

- b) Observe 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).

\*\*The business/public purpose of each reimbursement was supported by written documentation.

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

\*\* Each reimbursement was appropriately reviewed and approved.

#### ***Contracts***

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15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select five agreements/contracts (or all if less than five) from the listing, excluding the practitioner's contract, and:

- a) Observe whether the agreement/contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

\*\*Management asserted that no agreements/contracts were initiated or renewed during the fiscal period.

- b) Observe whether the agreements/contracts were approved by the governing body/board, if required by policy or law (e.g., Lawrason Act, Home Rule Charter).

\*\*Not applicable.

- c) If the agreement/contract was amended (e.g., change order), observe that the original agreement/contract terms provided for such an amendment and that amendments were made in compliance with the agreement/contract terms (e.g., if approval is required for any amendment, the documented approval).

\*\*Not applicable.

- d) Randomly select one payment from the fiscal period for each of the five agreements/contracts, obtain the supporting invoice, agree the invoice to the agreement/contract terms, and observe the invoice and related payment agreed to the terms and conditions of the agreement/contract.

\*\*Not applicable.

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

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

\*\*Management of the Commission provided a listing of employees employed during the fiscal period and representation that the listing was complete.

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

- a) Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

\*\*All selected employees documented their daily attendance and leave.

- b) Observe whether supervisors approved the attendance and leave of the selected employees or officials.

\*\*The Commission's administrator or a board commissioner approved the attendance and leave.

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

\*\* Cumulative leave records accrued or taken during the pay period were manually maintained by the Commission's administrator.

d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate.

\*\*Only the Commission's administrator's salary was specifically authorized by the commissioners. The administrator's duties included hiring staff and setting pay rates. Those set pay rates were then authorized by the commissioner's approval of the annual budget.

18. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, and the Commission's policy on termination payments. Agree the hours to the employee or official's authorized pay rates in the employee or official's personnel file, and agree the termination payment to the Commission's policy.

\*\*Management of the Commission asserted that no employees were terminated during the fiscal period.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed by required deadlines.

\*\*Management of the Commission asserted that payroll related amounts were paid and associated forms were timely filed.

### *Ethics*

20. Using the five randomly selected employees or officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

a) Observe whether the documentation demonstrates that each employee or official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.

\*\*Documentation was provided that all of the Commission's three employees completed one hour of ethics training during the calendar year.

b) Observe whether the Commission maintained documentation which demonstrated that each employee or official was notified of any changes to the Commission's ethics policy during the fiscal period, as applicable.

\*\*Management of the Commission asserted that no changes were made to its ethics policy during the fiscal period.

- c) Inquire and/or observe whether the Commission appointed an ethics designee as required by R.S. 42:1170.

\*\*The Commission did not appoint an ethics designee.

### ***Debt Service***

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21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

\*\*Management of the Commission asserted that no debt instruments were issued during the fiscal period.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

\*\*Management of the Commission asserted that no bonds/notes were outstanding at the end of the fiscal period.

### ***Fraud Notice***

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23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriation(s) on the listing, obtain supporting documentation, and observe that the Commission reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the Commission is domiciled as required by R.S. 24:523.

\*\*The Commission's management asserted that there were no misappropriations of public funds and assets during the fiscal period.

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

\*\*The posting of the notice on the Commission's premises was observed. The Commission did not have a website.

### ***Information Technology Disaster Recovery/Business Continuity***

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25. Perform the following procedures and verbally discuss the results with management.
- a) Obtain and inspect the Commission's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up

critical data) and observe evidence that such backup (1) occurred within the past week, (2) were not stored on the Commission's local server or network, and (3) were encrypted.

\*\*We performed the procedures and discussed the results with management.

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

\*\*We performed the procedures and discussed the results with management.

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

\*\*We performed the procedures and discussed the results with management.

- d) Randomly select five terminated employees (or all terminated employees if less than five) using the list of terminated employees obtained in procedure #18 under "Payroll and Personnel". Observe evidence that the selected terminated employees were removed or disabled from the network.

\*\*Management of the Commission asserted that no employees were terminated during the fiscal period.

### ***Prevention of Sexual Harassment***

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- 26. Using the five randomly selected employees or officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management and observe the documentation demonstrates each employee or official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

\*\*Documentation was provided that all of the Commission's three employees completed at least one hour of sexual harassment training during the calendar year.

- 27. Observe the Commission had posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the Commission's premises if the Commission did not have a website).

\*\*The posting of the notice on the Commission's premises was observed. The Commission did not have a website.

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

- a) Number and percentage of public servants in the Commission who have completed the training requirements.
- b) Number of sexual harassment complaints received by the Commission.
- c) Number of complaints which resulted in a finding that sexual harassment occurred.
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action
- e) Amount of time it took to resolve each complaint.

\*\*The Commission's annual sexual harassment report for the current fiscal period was dated June 30, 2023 and included all of the applicable requirements.

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

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

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUP, 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

December 15, 2023

Management's response:

We will take the auditor's comments under advisement and implement changes as deemed necessary.