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ST. MARY PARISH SALES AND USE TAX DEPT.  
STATE OF LOUISIANA

Annual Component Unit Financial Statements with  
Independent Auditors' Report  
and  
Report on Compliance and Internal Control  
For the Year Ended December 31, 1997

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date ~~JUL 08 1998~~

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INDEPENDENT AUDITORS' REPORT

Mr. Thaddeus Marcell, Director  
St. Mary Parish Sales and Use Tax Dept.  
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements of the St. Mary Parish Sales and Use Tax Dept., a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 1997 as listed in the table of contents. These general purpose financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The St. Mary Parish Sales and Use Tax Dept. is an agency fund created to collect certain taxes within St. Mary Parish and remit them to the various governing bodies within the Parish. The operations of an Agency Fund are custodial in nature and because of this, these financial statements measure the increase and decrease of assets and liabilities and do not involve the measurement of results of operations.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Sales and Use Tax Dept., as of December 31, 1997, and the changes in its assets and liabilities for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 15, 1998 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Department. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements; and, in our opinion, the information is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Pitts & Martin". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

June 15, 1998

**ST. MARY PARISH SALES AND USE TAX DEPT.**  
**BALANCE SHEET**  
December 31, 1997

ASSETS

Cash	\$2,106,466
Cash - restricted protest tax	68,511
Prepaid expenses	1,500
	<hr/>
Total	<u>\$2,176,477</u>

LIABILITIES

Accounts payable and accrued liabilities	\$558
Amounts due to taxing units:	
Amount currently payable to taxing units	2,101,493
Retained taxes collected	74,426
	<hr/>
	<u>\$2,176,477</u>

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

**ST. MARY PARISH SALES AND USE TAX DEPT.**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
December 31, 1997

<u>Assets</u>	
Cash:	
Beginning balance	\$2,172,346
Increases	27,524,841
Decreases	(27,590,721)
Ending Balance	<u>\$2,106,466</u>
Cash - Restricted Protest Tax:	
Beginning balance	\$14,587
Increases	53,924
Decreases	0
Ending Balance	<u>\$68,511</u>
Prepaid expenses:	
Beginning balance	\$1,500
Increases	0
Decreases	0
Ending balance	<u>\$1,500</u>
<u>Liabilities</u>	
Accounts payable and accrued liabilities	
Beginning balance	0
Increases	\$83,571
Decreases	(83,013)
Ending balance	<u>\$558</u>
Amounts currently payable to taxing units	
Beginning balance	\$2,171,799
Increases	29,542,420
Decreases	(29,612,726)
Ending balance	<u>\$2,101,493</u>
Retained taxes collected:	
Beginning balance	\$16,634
Increases	70,192
Decreases	(12,400)
Ending balance	<u>\$74,426</u>

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

# ST. MARY PARISH SALES AND USE TAX DEPT.

## Notes to the Financial Statements

December 31, 1997

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Sales and Use Tax Dept. is responsible for the collection and distribution of the various sales and use taxes levied within the Parish. The Department was created in 1966, when the St. Mary Parish Police Jury, forerunner of the St. Mary Parish Council, adopted its original Sales Tax Ordinance, which levied the first sales tax within the Parish. The Department now collects a total of 3.5% which has been levied over the years and distributes the proceeds to the various taxing units within the Parish. In addition, the St. Mary Parish Sales and Use Tax Dept. collects the proceeds from the Hotel/Motel Tax and the Chain Store Tax and distributes them accordingly. Each taxing unit has agreed to reimburse the Department for a portion of the operating costs.

The financial statements of St. Mary Parish Sales and Use Tax Dept. have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

#### A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

1. Financial benefit or burden
2. Appointment of a voting majority
3. Imposition of will
4. Fiscally dependent

Based upon the above criteria, the Department is a component unit and integral part of the St. Mary Parish Council (the primary government).

These financial statements include only the operations of the Department.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The Department uses funds to report on its financial position and the changes in its assets and liabilities. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category in turn, is divided into separate "fund types". The Department's current operations require only the use of one fiduciary fund, the agency fund.

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

Fiduciary Fund

Agency Fund

The St. Mary Parish Sales and Use Tax Dept. is categorized as a Fiduciary Fund and is operated as an Agency Fund type. The Department accounts for the collection and disbursement of assets held as an agent for other government units. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

C. Basis of Accounting

The modified accrual basis of accounting is used by all Agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

Collections

Sales and use taxes are recorded in the month collected by the Department.



NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Distributions

The liability for distribution to the various taxing units is recorded in the month the taxes are received by the Department.

Cost of Operations

Items which make up operating charges are recognized under the modified accrual basis of accounting when the related liability is incurred.

D. Budgets

The Department is not required to adopt and did not adopt a budget for the year ended December 31, 1997.

E. Cash

For financial statement purposes, cash includes demand deposits and interest-bearing demand deposits.

F. Taxes Paid Under Protest

In some cases there is a dispute between the Department and taxpayers as to the taxability of certain transactions. In these cases taxes paid by the taxpayer are recorded in a restricted cash account with an offsetting liability in the retained taxes collected account. At the time the ultimate taxability of the transaction is determined the funds are either: returned to taxpayer, if the transactions are determined to be nontaxable or; distributed to various taxing governments, if the transaction is determined to be taxable.

NOTE 2 - CASH

The Department may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Department may also invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

NOTE 2 - CASH (continued)

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

Under the provision of the GASB codification, pledged securities, which are not in the name of the governmental unit, are considered uncollateralized.

The following is a summary of the cash and the related federal deposit insurance and related pledged securities as of December 31, 1997:

Cash - stated value	<u>\$2,106,466</u>
Cash - bank balance	\$2,229,344
Portion insured by federal deposit insurance	100,000
Collateralized by securities in the Department's name held by the Department or third parties	<u>NONE</u>
Balance uninsured and uncollateralized under GASB codification	2,129,344
Value of securities pledged under Louisiana law	<u>2,129,344</u>
Amount unsecured under Louisiana law	<u>NONE</u>

NOTE 3 - AMOUNTS CURRENTLY DUE TO TAXING UNITS

The following is a detail of amounts due to taxing units at December 31, 1997:

St. Mary Parish School Board	\$1,053,474
St. Mary Parish Council	350,602
City of Morgan City	285,189
City of Franklin	170,917
City of Patterson	95,958
Town of Berwick	81,265
Town of Baldwin	46,450
St. Mary Parish Recreation District #1	<u>17,638</u>
	<u>\$2,101,493</u>

#### NOTE 4 - PENSION PLAN

Substantially all full-time employees of the St. Mary Parish Sales and Use Tax Dept. participate in the Parochial Employees' Retirement System of Louisiana (Plan A), a cost-sharing multiple employer public employee retirement system. The payroll for Department employees covered by the System for the year ended December 31, 1997 is approximately \$258,000, the Department's total payroll is approximately \$258,000.

Employees are entitled to retirement benefits when the combination of attained age and years of service meet certain specified requirements. The minimum years of service for receiving retirement benefits is ten years. Benefits vest based on a similar method of combination of minimum years of service and attained age. The System also provides death and disability benefits. Benefits are established by the State Legislature.

Covered employees are required by the State Legislature to contribute 9.50% of their gross salary to the plan. The Department is required by the same statute to contribute 7.25% of each employee's gross salary to the plan. The entity's actuarially determined contribution requirement has not been calculated. However, the annual contribution rate for the plan as a whole has been determined to be approximately \$19.1 million to fund the plan over a forty year payment period. The actual contributions for the plan as a whole for the year ended December 31, 1996, the latest year for which an evaluation is available, was approximately \$47.7 million. The Department's contribution made for the year ended December 31, 1997, was approximately \$38,000 which consisted of approximately \$20,000 from the Department and approximately \$18,000 from employees; these contributions represented 7.25% and 9.50% of covered payroll, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The System does not make separate measurements of assets and pension benefit obligations for individual employers.

The pension benefit obligation at December 31, 1996 for the System as a whole, determined through an actuarial valuation performed as of that date, was \$815.2 million. The System's net assets available for benefits on that date were \$701 million, leaving an unfunded pension benefit obligation of \$114.2 million. The Department's contribution represented approximately .002% of total contributions required of all participating entities.

NOTE 4 - PENSION PLAN (continued)

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1995, comprehensive annual financial report. The department does not guarantee the benefits granted by the System.

The Department is not responsible for any other post retirement benefits to former employees.

The Department is responsible for withholding and remitting contributions from participants to the State for inclusion in the plan. The State is responsible for remitting benefits to the participants.

NOTE 5- LEASES

The Department has no material long-term non-cancellable lease commitments at December 31, 1996.

NOTE 6- RELATED PARTY

The Department rents its office facilities, on a month-to-month basis, from the St. Mary Parish Council, the oversight entity. The amount of rent paid in 1997 totals \$9,600.

NOTE 7 - RISK MANAGEMENT

The Department is exposed to various risks of loss related to torts, theft, or damage to assets, errors and omissions, injuries to employees and natural disasters. The Department has purchased commercial insurance to protect against loss from substantially all these perils.

SUPPLEMENTARY INFORMATION

**ST. MARY PARISH SALES AND USE TAX DEPT.**

Schedule of Yearly Transactions  
For the Year Ended December 31, 1997

Receipts

Sales tax and other collections	\$27,399,700
Interest on investments	41,226
Total	<u>\$27,440,926</u>

Disbursements

Allocation of administrative costs	<u>\$605,652</u>
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Transfer and allocations of sales taxes to:

St. Mary Parish	
Sanitation Fund	2,213,046
Debt Service Fund	1,519,297
Sales Tax Wards 1,2,3,4,7 and 10	360,035
Wards 5 & 8 Sales Tax Fund	242,998
Recreation District No. 1	249,770
Wards 6 & 9 Sales Tax Fund	62,443
St. Mary Parish School Board	13,294,193
City of Morgan City	3,626,591
City of Franklin	2,125,724
Town of Berwick	1,055,282
City of Patterson	1,205,379
Town of Baldwin	557,852
	<u>26,512,610</u>

Transfer of chain store tax	2,965
Transfer of hotel/motel tax to:	
St. Mary Parish Tourist Commission	<u>319,699</u>

Total	<u>\$27,440,926</u>
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**ST. MARY PARISH SALES AND USE TAX DEPT.**

Schedule of Administrative Cost

For the Year Ended December 31, 1997

Salaries	\$258,320
Audit fees	128,709
Group insurance	33,777
Retirement expense	20,018
Office supplies	17,035
Computer expense	57,021
Auto and travel expense	22,452
Postage	11,188
Rent	9,600
Telephone	10,377
Equipment rental and maintenance	4,567
Payroll taxes	7,676
Professional services	12,380
Due and subscriptions	3,182
Office equipment	8,151
Cost of court	1,199
	<hr/>
	\$605,652
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COMPLIANCE AND INTERNAL CONTROL SECTION





REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mr. Thaddeus Marcell, Director  
St. Mary Parish Sales and  
Use Tax Department  
Morgan City, Louisiana

We have audited the general purpose financial statements of the St. Mary Parish Sales and Use Tax Department, as of and for the year ended December 31, 1997, and have issued our report thereon dated June 15, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Mary Parish Sales and Use Tax Department's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

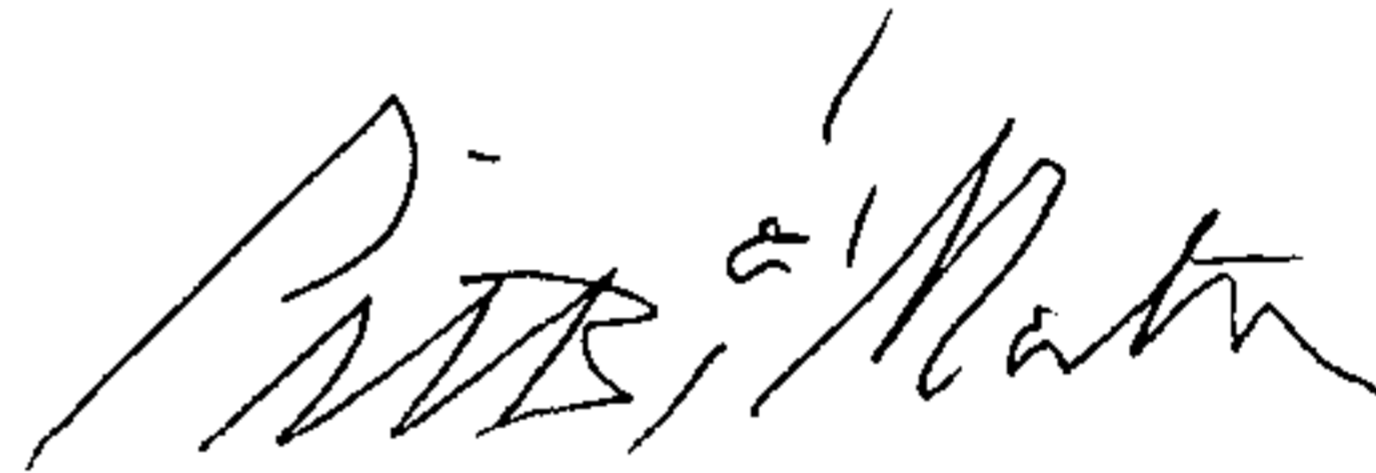
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Parish Sales and Use Tax Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not

necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

A similar letter issued by us dated March 18, 1997, for the year ended December 31, 1996, reported no material weaknesses in internal control nor instances of noncompliance.

This report is intended for the information of management of the Department, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in black ink, appearing to read "R. B. Martin". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

June 15, 1998