

**ORIGINAL
FILE COPY**
DO NOT SEND OUT

Other necessary
copies from this
copy and PLACE
BACK in FILE

St. Mary Parish Tourist Commission
State Of Louisiana

Report On Examination Of
Financial Statements

For The Years Ended
September 30, 1998 And 1997

Under provisions of state law, this report is a public document. A copy of the report is to be made available to the public, or under the authority and jurisdiction of state officials. This report is for public inspection at the Parish Rouge office of the Louisiana Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date: MAR 24 1999

985 00838
9646
211

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1-2
GENERAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet-All Fund Types And Account Groups	3-4
Combined Statement of Revenues, Expenditures, And Changes in Fund Balance	5
General Fund:	
Comparative statement of revenues, expenditures, and changes in fund balance - budget and actual	6-7
Notes To Financial Statements	8-14
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	15-17

LEBLANC AND CARPENTER
A CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS
IN OBSERVANCE OF THE CONSTITUTION
MORGAN CITY, LOUISIANA 70301

PHONE 836-1200
FAX 836-28-8028

8007 WATKINS ISLAND, ORLA
TULSA, OKLAHOMA 74106

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
—
MEMBER OF
SOCIETY OF COSTUME
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
St. Mary Parish Tourist Commission
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements of the St. Mary Parish Tourist Commission, a component unit of the Parish of St. Mary, State of Louisiana, as of and for the years ended September 30, 1998 and 1997, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

In our opinion, the component unit general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Tourist Commission as of September 30, 1998 and 1997, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

The Governmental Accounting Standards Board has issued "GASB Technical Bulletin 98-2, Disclosures about Year 2000 Issues," effective for financial statements on which the auditor's report is dated after October 31, 1998. As discussed at Note G, the District has disclosed certain matters regarding the year 2000 issue. Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Director is or will be Year 2000 ready, that the District's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

In accordance with Government Auditing Standards, we have also issued our report dated February 18, 1989, on our consideration of Waterworks District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

LeBlanc and Carpenter

February 18, 1989
Morgan City, Louisiana

ST. MARY PARISH TOURIST COMMISSION

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

SEPTEMBER 30, 1998

	Governmental Funds		Account Groups
	General Funds	Special Revenue	General Fixed Assets
ASSETS			
Cash	\$ 73,567	\$137,928	\$ --
Investments	77,148	--	--
Due from other govt. units			
Hotel/Motel taxes	23,521	123,494	--
Prepaid expenses	3,187	--	--
Furniture and equipment	--	--	40,842
Building and Improvements	--	--	188,821
TOTAL ASSETS	\$176,415	\$261,314	\$209,163
	*****	*****	*****
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 7,071	\$ --	\$ --
Payroll Taxes	2,221	--	--
TOTAL LIABILITIES	2,221	--	--
Fund balances			
Reserved	--	161,314	--
Unreserved - undesignated	188,434	--	--
Investment in fixed assets	--	--	100,163
TOTAL FUND BALANCES	188,434	161,314	100,163
TOTAL LIABILITIES AND FUND BALANCES	\$176,415	\$261,314	\$209,163
	*****	*****	*****

Totals
(Memo Only)

6-30-98	6-30-97
---------	---------

\$233,387	\$ 64,454
77,180	70,438
147,816	63,353
2,387	1,390
40,842	33,266
153,521	132,608
\$637,892	\$393,186
-----	-----

\$ 7,072	\$ 3,320
2,823	2,323
9,895	5,643

261,314	30,981
146,434	168,809
200,383	197,894
427,831	197,658

\$637,892	\$393,186
-----	-----

See accompanying notes to Financial Statements.

ST. MARY PARISH TOURIST COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED SEPTEMBER 30, 1998 AND 1997

	Governmental Funds		Totals	
	General	Special Revenues	(Memorandum Only) 9-30-98	9-30-97
REVENUES				
Motel-Motel tax	\$228,103	\$245,531	\$473,634	\$469,317
Interest	3,784	--	3,784	5,133
Other revenues	<u>1,423</u>	<u>-----</u>	<u>1,423</u>	<u>-----</u>
TOTAL REVENUES	<u>233,310</u>	<u>245,531</u>	<u>478,237</u>	<u>474,450</u>
EXPENDITURES				
Administrative salaries	\$9,628	--	\$9,628	71,769
Publicity and promotion	40,531	--	40,531	53,784
Grants - tourism projects	--	\$2,796	\$2,796	--
Marketing project	--	14,349	14,349	--
Travel expense	3,133	--	3,133	3,800
Dues and subscriptions	4,447	--	4,447	3,659
Equipment rental	3,360	--	3,360	2,321
Insurance	3,114	--	3,114	3,587
Health insurance	2,839	--	2,839	3,466
Audio fees	2,790	--	2,790	2,325
Legal fees	792	--	792	--
office expense	18,931	62	18,993	11,343
Payroll taxes	6,333	--	6,333	3,923
Postage	2,409	--	2,409	8,048
Promotion and entertainment	2,080	--	2,080	2,384
SEP retirement plan	7,084	--	7,084	4,428
Telephone	2,365	--	2,365	3,004
Travel and conventions	10,898	--	10,898	7,084
Utilities	5,419	--	5,419	4,597
Repair and maintenance	17,766	3,300	21,066	7,143
Capital outlay-fixed assets	8,791	3,317	12,108	11,246
Special projects	3,196	--	3,196	1,928
Brochure printing	12,814	--	12,814	3,743
Special events	18,018	--	18,018	18,789
Billboards	4,343	5,466	9,809	3,464
Education	3,169	--	3,169	751
Contract labor	<u>-----</u>	<u>-----</u>	<u>-----</u>	<u>13</u>
TOTAL EXPENDITURES	<u>327,821</u>	<u>113,173</u>	<u>441,994</u>	<u>245,825</u>
Excess of revenues over (under) expenditures	\$2,375	\$22,358	\$27,978	\$2,624
Fund balance, beginning	<u>188,823</u>	<u>32,361</u>	<u>221,310</u>	<u>117,276</u>
Fund balance, ending	<u>\$191,498</u>	<u>\$54,719</u>	<u>\$247,748</u>	<u>\$199,900</u>

See accompanying notes to financial statements.

ST. MARY PARISH TOURIST COMMISSION

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE-BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 1998

	General Fund		Variance- Favorable (unfavorable)
	Budget	Actual	
REVENUES			
Hotel-Note) tax	\$101,432	\$100,100	\$ 13,331
Interest	4,380	3,780	(600)
Other revenues	--	1,427	1,427
TOTAL REVENUES	105,812	105,307	505
EXPENDITURES			
Administrative salaries	98,348	98,400	(52)
Publicity and promotion	69,472	69,331	141
Grant - tourist projects	--	--	--
Marketing projects	--	--	--
Travel expenses	5,280	5,169	111
Dues and subscriptions	8,488	4,487	4,001
Equipment rental	5,078	5,369	(291)
Insurance	3,004	3,114	(110)
Health insurance	12,870	8,899	3,971
Audit fees	3,875	3,750	125
Legal	567	792	(225)
Office expenses	14,589	18,921	(4,332)
Payroll taxes	8,588	8,132	456
Postage	8,143	9,488	(1,345)
Promotion and entertainment	3,088	2,089	999
SEP retirement plan	3,084	3,084	--
Telephone	7,830	8,385	(555)
Travel and conventions	8,700	18,898	(10,198)
Utilities	5,288	5,419	(131)
Repairs and maintenance	8,850	17,785	(8,935)
Capital outlay-fixed assets	22,688	8,951	13,737
Special projects	3,000	3,188	(188)
Brochure printing	18,378	19,614	(1,236)
Special events	18,508	16,016	2,492
Billboards	4,242	4,242	--
Education	8,600	8,169	431
Contract labor	--	--	--
TOTAL EXPENDITURES	140,180	127,421	12,759
Excess of revenues over budget expenditures	(34,368)	(22,114)	12,254
Appropriation of Fund Balance-Cash Reserves	34,500	--	--
Fund balance, beginning	168,808	168,808	--
Fund balance, ending	\$168,940	\$166,694	\$ 2,246

ST. MARY PARISH TOURIST COMMISSION

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Tourist Commission was created and established on October 22, 1991 by ordinance #1151 of the St. Mary Parish Council under authority of Act 19 of the Louisiana Legislature of 1990, to be effective February 1, 1991. The Commission shall be composed of nine directors, appointed by the St. Mary Parish Council for terms of three years, with three appointments expiring each year, and to serve without compensation. The Commission was formed for the purpose of promoting tourism within the Parish of St. Mary, State of Louisiana. The Commission has the authority to sue and be sued, to accept grants or donations of every type, to make capital improvements for the purpose of obtaining Federal Funds, to do all things necessary for promotion and advertisement and publication of information relating to tourist attractions within its jurisdiction. Act 19 as amended, authorized the governing authority of the Parish to levy and collect a tax not to exceed 4% of the rent or fee for the occupancy of hotel rooms, motel rooms, and overnight camping facilities within the jurisdiction of the Commission to fund the operations of the Commission.

The accounting and reporting practices of the St. Mary Parish Tourist Commission conform to generally accepted accounting principles as applicable to governmental units on a consistent basis between periods. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the Louisiana Municipal Audit and Accounting Guide, and to the industry audit guide, Guide of State and Local Governmental Units.

The following is a summary of certain significant accounting policies and practices.

Reporting Entity

GASB Statement No. 14, Governmental Reporting Entity, establishes criteria for determining which organizations should be included in a governmental financial reporting entity. The focal point for defining the financial reporting entity is the primary government. The St. Mary Parish Tourist Commission is a component unit of the St. Mary Parish Council (primary government) and, as such, these financial reports may be included in the OAS of the Council for the year ended December 31, 1998. The St. Mary Parish Tourist Commission has followed GASB-14 guidance to determine that there are no financial statements of other organizations that should be combined with their statements to form a financial reporting entity.

Fund Accounting

The Commission reports its financial position and results of operations by using funds and account groups. Each fund is a separate accounting entity with self-balancing accounts that include assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. An account group is a self-balancing set of accounts used for financial reporting purposes to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

The funds are grouped by fund type and classified into three broad fund categories: governmental, proprietary and fiduciary. There are two account groups. The funds and account groups presented in these financial statements are described below.

GOVERNMENTAL FUNDS are accounted for on a current financial resources measurement focus. The balance sheets generally contain only current assets and current liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources." Governmental funds' operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) of net current assets during a period.

The **GENERAL FUND** is the general operating and administrative fund of the Commission. It accounts for all financial resources except those required to be accounted for in another fund or account group.

The **SPECIAL REVENUE FUND** is used to account for the proceeds of specific revenue sources, the expenditures for which are legally restricted for purposes specified by law.

GENERAL FIXED ASSETS ACCOUNT GROUP is used to account for fixed assets used in governmental fund type operations for control purposes. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

Basis of Accounting

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

The Commission uses the modified accrual basis of accounting for governmental fund types (general and special revenues). The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Basis of Accounting (Continued)

Major revenue sources susceptible to accrual include hotel/motel taxes. Hotel-Motel occupancy taxes are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time.

Budgets and Budgetary Accounting

The St. Mary Parish Tourist Commission follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. The budget is prepared and adopted on a basis consistent with generally accepted accounting principles (GAAP), which for the General and Special Revenue Funds is the modified accrual basis of accounting.
- b. The Combined Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual present comparisons of legally adopted budgets with actual data on a budgetary basis for the General and Special Revenue Funds. These budgets were amended by the Board of Commissioners in public meetings.
- c. The Commission approves and adopts total budget revenue and expenditures only. The Commission transfers budget amounts between expenditure classifications within the General and Special Funds. Therefore, the level of budgetary responsibility is by total expenditures; however, for report purposes, this level has been expanded to classifications of expenditures. Unvoted appropriations lapse at the end of the year.

Cash and Investments

Cash includes amounts in demand deposit checking and money market checking accounts.

State statutes authorize the Commission to invest in direct obligations of the U.S. Treasury; obligations of any agency of the United States of America, provided the payment of principal and interest of such obligations is fully guaranteed by the United States; obligations of U.S. government instrumentalities which are federally sponsored; direct security repurchase agreements of obligations of the U.S. Treasury or U.S. government instrumentalities; time certificates of deposit or savings accounts, and mutual or trust fund institutions which have underlying investments consisting solely of and limited to securities of the United States government or its agencies.

Investments are stated at cost or amortized cost when applicable.

Fixed Assets

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account group, rather than in governmental funds. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. No depreciation has been provided on general fixed assets.

Total column on the Combined Balance Sheet

The total column on the Combined Balance Sheet is captioned Memorandum only to indicate it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B - CASH AND INVESTMENTS

The St. Mary Parish Tourist Commission may invest in time deposits or certificates of deposits of state banks or savings and loan associations or savings banks organized under Louisiana law and national banks having principle offices in Louisiana. At present all of the Commission's cash and investments are in demand deposits and certificates of deposit. State law requires that deposits be fully collateralized at all times. Acceptable collateralization includes the \$100,000 FDIC/FSLIC insurance and the market value of securities purchased and pledged. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the commission or with an unaffiliated bank or trust company for the account of the Commission.

The Commission's cash and investments are categorized to give an indication of the level of risk assumed by the Commission at September 30, 1998:

- Category 1 - Insured or collateralized with securities held by the Commission or by its agent in the Commission's name.
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name.
- Category 3 - Uncollateralized (this includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name)

NOTE B - CASH AND INVESTMENTS (Continued)

Cash and Investments stated at cost consist of the following:

	General Fund	Special Revenue	Total
Cash - Checking	\$ 13,117	\$137,620	\$150,737
Money market checking	\$4,460	--	\$4,460
Certificate of deposit	<u>17,142</u>	<u>--</u>	<u>17,142</u>
Total cash and Investments	\$150,737	\$137,620	\$288,357
	*****	*****	*****

Cash and investments categorized by level of risk are:

Amounts insured by the FDIC or collateralized with securities held by the Commission in its name	\$231,410
Amounts collateralized with securities held by the pledging financial institution's trust department in the Commission's name	--
Uncollateralized	<u>56,937</u>
Total cash and investments	\$288,347

NOTE C - DUE FROM OTHER GOVERNMENTAL UNITS

Hotel/Motel taxes in the hands of intermediary collecting governments are considered measurable and are recognized as revenue at that time. Hotel/Motel taxes receivable at September 30, 1998 and 1997 were recognized by the following governmental funds:

	1998	1997
General Fund:		
Due from St. Mary Parish Sales and Use Tax Dept.	\$ 23,921	\$12,192
Special Revenue Fund:		
*Due from Treasurer of the State of Louisiana	<u>123,424</u>	<u>30,261</u>
Total	\$147,345	\$42,453
	*****	*****

* These funds are payable out of the state General Fund by statutory dedications out of the St. Mary Parish Visitor Enterprise Fund in accordance with the General Appropriations Bills for 1997 and 1998. These funds are dedicated by the State from hotel/motel tax collections. Total amount appropriated to the Commission for each of the state fiscal periods June 30, 1998 and June 30, 1999 is \$293,000.

NOTE D - CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 2-28-97	Additions	Deletions	Balance 2-10-98
Furniture & Equipment	\$ 38,288	\$ 8,988	\$ --	\$ 47,276
Building & Improvements	132,608	6,211	--	138,819
Total	\$170,896	\$ 15,200	\$ --	\$186,096

NOTE E - BOARD OF COMMISSIONERS AND PER DIEM ALLOWANCES

As of September 30, 1998 or during the period then ended, the following individuals served on the Board of Commissioners. The Commission did not pay any per diem allowances to its Board members during the year.

Name	Months of Service
Henry Lee	12
Connie Thomas	12
Jodie Johnson	12
Lesly Barton	12
Jessie Morton	12
Al Fuhleman	12
Dudley Plaisance	12
Sharon Howell	12
David Bourdier	12

NOTE F - SPECIAL REVENUE FUND

Act No. 823 as approved by the Louisiana Legislature in July, 1997 enacted LA&-R.S. 47:302.21, 302.2 and 302.24 to create the St. Mary Parish Visitor Enterprise Fund; to dedicate certain monies to the fund and to provide for uses of monies in the fund.

The monies in the St. Mary Parish Visitor Enterprise Fund shall be subject to an annual appropriation by the Legislature and shall be available exclusively for use by the St. Mary Parish Tourist Commission to fund the development of tourism and other economic growth projects within the parish of St. Mary. All unexpended and unencumbered monies in the fund shall remain in the fund. The monies in the fund shall be invested by the treasurer in the same manner as the monies in the state general fund, and all interest earned shall be deposited into the state general fund.

For the state fiscal year, July 1, 1997 to June 30, 1998, the legislature approved an appropriation in the amount of \$100,000 to the St. Mary Parish Tourist Commission from the St. Mary Parish Visitor Enterprise Fund. The St. Mary Parish Tourist Commission Board of Commissioners has developed guidelines to administer the spending of these funds by the Commission in accordance with the restricted purposes as specified by law. The Commission is accounting for these funds in a special revenue fund.

NOTE G - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the District's operations as early as fiscal year 1999.

St. Mary Parish Technical Commission has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the District's operations:

- Sales tax collection and remittance for the District is handled by St. Mary Parish Sales & Use Tax Department. The Sales & Use Tax Department is responsible for remediating their system, and is solely responsible for any costs associated with this project. The Sales & Use Tax Department has begun the remediation process on their system.

Because of the unprecedented nature of the Year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the District is or will be Year 2000 ready, that the Commission's remediation efforts will be successful in whole or in part, or that parties with whom the District does business will be year 2000 ready.

ST. MARY PARISH TOURIST COMMISSION
STATE OF LOUISIANA

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

PERIODS ENDED SEPTEMBER 30, 1996 AND 1997

LEBLANC AND CARPENTER

a corporation of Certified Public Accountants

THREEMONTREE, P.O. BOX 6747

MOOREHEAD CITY, LOUISIANA 70581

PHONE (504) 833-0222

FAX (504) 833-0222

MEMBER, AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

MEMBER, SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

MEMBER

AMERICAN INSTITUTE OF

CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Commissioners
St. Mary Parish Tourist Commission
Morgan City, Louisiana

We have audited the general purpose financial statements of St. Mary Parish Tourist Commission, as of and for the years ended September 30, 1996 and 1997, and have issued our report thereon dated February 28, 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 St. Mary Parish Tourist Commission'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 of compliance disclosed the following instances of noncompliance that may be material to the general purpose financial statements but for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in St. Mary Parish Tourist Commission's 1996 financial statements. There were no prior year findings or management letter comments.

1. Local Budget Act - Public Notification

Finding: LSA-83 19:1106 requires that when proposed expenditures for the year are greater than \$250,000 the proposed budget is made available for public inspection and advertisement of its availability in the official journal. The Proposed Budgets for the District for 1996 exceeded \$250,000 and the requirements of the Local Budget Act were not met.

Recommendation: The District must comply with the Local Budget Act and notify the public of the availability of the proposed budget for public inspection.

Response: The Board of Commissioners reported that it was an oversight on their part although the budget was reviewed, adopted, and amended in open meeting. The proper notification and availability for public inspection of the proposed budget and other requirements of the Local Budget Act were met in preparation and adoption of the 1999 budget.

1. Cash Management - Inadequate Security

Finding: State law requires that deposits be fully collateralized at all times thru FDIC/SAFE insurance or the pledge of acceptable securities. For six months during 1998, the District maintained in excess of \$100,000 in a checking account ~~without~~ receiving the pledge of acceptable securities from the financial institution.

Recommendation: The District should establish bookkeeping and monitoring procedures to alert themselves that unsecured funds exist and take the necessary actions to remedy the situation.

Response: The Board of Commissioners has instructed the Director and Bookkeeper to be aware of this requirement and provide notice to the Board when unsecured funds may exist. The Board will closely monitor the monthly financial statements for the possible existence of unsecured funds.

1. Cash Management - Idle Funds

Finding: Our examination disclosed that funds in excess of those needed for normal operations and projects in the Special Revenue Fund were not being invested. Louisiana Law requires that any idle cash funds should be invested in interest-bearing securities or accounts. Statutes suggest that funds should be invested in such a manner to maximize the rate of return earned and should at least equal the average rate of interest on treasury bills.

Recommendation: We recommend that the Board of Commissioners review its current operating needs for the General and Special Revenue Funds on a monthly basis and evaluate the existence of idle funds that should be invested and determine which short-term and long-term investments offered by financial institutions located within the area of the district are paying the highest rate of return in order to maximize the earnings for the District.

Response: The Board of Commissioners acknowledges that it failed to identify and invest the idle funds. (in excess of over \$100,000 for six months) The board has instructed its Director and bookkeeper to take the necessary steps to establish accounts with Louisiana Asset Management Pool (LAMP) so that idle funds in the General and Special Revenue Funds may be invested on a timely basis. The Board will monitor monthly financial statements and upcoming program needs to project the existence of idle funds that may be invested.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered St. Mary Parish Tourist Commission'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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Mary Parish Tourist Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

Our examination disclosed that there is very little segregation of duties within the District's accounting function, particularly in the areas of cash receipts, bank reconciliations, cash disbursements, general ledger and journal entries. This weakness is due to the fact that the Commission employs only two persons in the bookkeeping function. Due to the lack of segregation of duties, possible errors or irregularities could occur in the accounting records and not be detected. Understandably, due to the limited number of accounting personnel, the most ideal system of internal control or the most desirable accounting system may not be practicable. Also, the cost of additional employees might exceed any benefits gained. The management of the District is well aware of the loss of internal control that results with their limited staff and are constantly on watch for any problems that would arise.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe some of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Commissioners (Management), St. Mary Parish Council, and the Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Libiane and Carpenter

February 18, 1999
Morgan City, Louisiana