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MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

FINANCIAL REPORT

JUNE 30, 1998

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 OCT 07 1998

HILL, INZINA & COMPANY

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HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

We have audited the accompanying general-purpose financial statements of Morehouse Sales and Use Tax Commission, as of and for the year ended June 30, 1998, as listed in the table of contents. These general-purpose financial statements are the responsibility of the management of Morehouse Sales and Use Tax Commission. 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.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of Morehouse Sales and Use Tax Commission, as of June 30, 1998, and the results of its operations 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 September 1, 1998, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations.

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

September 1, 1998

Hill, Smyth & Co.

GENERAL-PURPOSE FINANCIAL STATEMENTS

(COMBINED STATEMENTS - OVERVIEW)

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

COMBINED BALANCE SHEET - FUND TYPES AND ACCOUNT GROUP
June 30, 1998

	Governmental Fund Type	Fiduciary Fund Types	Account Group General Fixed Assets	Totals - (Memo- randum Only)
	General	Agency		
ASSETS				
Cash	\$ 29,446	\$ -	\$ -	\$ 29,446
Investments	25,000	23,813	-	48,813
Cash equivalents - restricted	247,915	-	-	247,915
General fixed assets	<u>-</u>	<u>-</u>	<u>67,451</u>	<u>67,451</u>
 Total assets	 <u>\$ 302,361</u>	 <u>\$ 23,813</u>	 <u>\$ 67,451</u>	 <u>\$ 393,625</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Taxes paid under protest - restricted	\$ 247,915	\$ -	\$ -	\$ 247,915
Deferred compensation benefits	<u>-</u>	<u>23,813</u>	<u>-</u>	<u>23,813</u>
Total liabilities	<u>\$ 247,915</u>	<u>\$ 23,813</u>	<u>\$ -</u>	<u>\$ 271,728</u>
Equity and other credits:				
Investment in general fixed assets	\$ -	\$ -	\$ 67,451	\$ 67,451
Fund balance - unreserved and undesignated	<u>54,446</u>	<u>-</u>	<u>-</u>	<u>54,446</u>
Total equity and other credits	<u>\$ 54,446</u>	<u>\$ -</u>	<u>\$ 67,451</u>	<u>\$ 121,897</u>
 Total liabilities, equity and other credits	 <u>\$ 302,361</u>	 <u>\$ 23,813</u>	 <u>\$ 67,451</u>	 <u>\$ 393,625</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 1998

	Budget	Actual	Variance - Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 153,940	\$ 157,447	\$ 3,507
Interest and miscellaneous	<u>3,060</u>	<u>4,418</u>	<u>1,358</u>
	<u>\$ 157,000</u>	<u>\$ 161,865</u>	<u>\$ 4,865</u>
Expenditures:			
Current:			
General government:			
Personal services	\$ 103,050	\$ 95,799	\$ 7,251
Operating services	30,100	47,080	(16,980)
Professional services	10,850	12,582	(1,732)
Travel, education and audit	6,000	7,398	(1,398)
Capital outlay	<u>7,000</u>	<u>9,158</u>	<u>(2,158)</u>
	<u>\$ 157,000</u>	<u>\$ 172,017</u>	<u>\$(15,017)</u>
Excess (deficiency) of revenues over expenditures	\$ -	\$(10,152)	\$(10,152)
Fund balance - beginning	<u>64,598</u>	<u>64,598</u>	<u>-</u>
Fund balance - ending	<u>\$ 64,598</u>	<u>\$ 54,446</u>	<u>\$(10,152)</u>

See notes to financial statements.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

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, pursuant to Article VII, Section 3, of the Louisiana Constitution. The purpose of the Commission is to provide joint collection, enforcement and administration of sales and use tax within Morehouse Parish. The governing body of the Commission consists of a nine member Board of Commissioners 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 appointee from Village of Mer Rouge, the appointee from Village of Bonita and the appointee from 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.

Basis of Presentation:

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

NOTES TO FINANCIAL STATEMENTS

Financial Reporting Entity:

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 financially accountable or fiscally dependent upon any of the constituent governments.

Fund Accounting:

The Commission uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. On the other hand, an account group is a financial reporting device designed 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.

Funds of the Commission are classified into the category of governmental funds. In turn, this category is divided into separate fund types. The fund classification and a description of each existing fund type follow:

Governmental fund:

The governmental fund is used to account for all or most of the Commission's general activities, including the collection and disbursement of specific or legally restricted monies and the acquisition or construction of general fixed assets. The governmental fund is:

General Fund - the general operating fund of the Commission and accounts for all financial resources, except those required to be accounted for in other funds.

Fiduciary funds:

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 Commission. Fiduciary funds include:

Agency Funds - account for assets that the Commission holds on behalf of others as their agent. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS

Basis of Accounting:

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The operating statement of this fund presents increases and decreases in net current assets. The modified accrual basis of accounting is used by the governmental and fiduciary funds. The modified accrual basis of accounting recognizes revenues when both "measurable" and "available". Measurable means the amount can be determined and available means collectible 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. Revenues are not susceptible to accrual because generally they are not measurable until received in cash.

Budgets and Budgetary Accounting:

The budget for the General Fund is proposed by the Administrator and formally adopted by the Commissioners. The annual budget is prepared in accordance with the basis of accounting utilized by the fund. Budgetary amendments, involving the transfer of funds from one function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require approval of the Commissioners. All annual appropriations lapse at fiscal year end.

The budget for the General Fund was adopted by the Commissioners on June 19, 1997. The Commissioners authorized line item adjustments, not to exceed original budgeted amounts, which are reflected in the budget comparison.

Encumbrances:

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Commission.

Cash and Cash Equivalents:

Cash includes amounts in interest-bearing demand deposits and cash equivalents include amounts in time deposits with original maturities of 90 days or less. 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.

NOTES TO FINANCIAL STATEMENTS

Investments:

Investments are limited by Louisiana Revised Statute 33:2955. If the original maturities of time deposits exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

Uncollectible Allowance:

The statements contain no provision for uncollectible accounts. The Commission is of the opinion that such allowance would be immaterial in relation to the financial statements taken as a whole.

Restricted Asset:

Pursuant to Louisiana Revised Statute 47:1576, sales taxes paid under protest and the interest earned thereon, shall be placed in an escrow account.

Fixed Assets:

Fixed assets of governmental funds are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the General Fixed Assets Account Group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost or if donated, at their estimated market value on the date donated.

Accumulated Compensated Absences:

No liability is recorded for nonvesting accumulating rights to receive vacation or sick pay benefits.

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.

Total Column on Combined Statements - Overview:

The total column on the combined balance sheet is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTES TO FINANCIAL STATEMENTS

Note 2. Expenditures - Actual and Budget

Expenditures for the year ended June 30, 1998, of \$172,017 exceeded appropriations of \$157,000 by \$15,017 or 9.56% which is in violation of the Local Government Budget Act. The majority of this unfavorable variance resulted due to the Board being unaware that the refunding of previously collected commission fees to the affected jurisdictions would be reported as current expenditures and not as an adjustment to a prior period.

Note 3. Cash and Cash Equivalents

At June 30, 1998, the Commission had cash and cash equivalents (book balances) as follows:

	General	Agency	Totals
Interest-bearing demand deposits	\$ 29,346	\$ -	\$ 29,346
Time deposits	272,915	-	272,915
Investment	-	23,813	23,813
Petty cash	<u>100</u>	<u>-</u>	<u>100</u>
	<u>\$ 302,361</u>	<u>\$ 23,813</u>	<u>\$ 326,174</u>

The deposits are stated at cost, which approximates market. The investment is a *nonparticipating interest-earning investment contract which is reported at cost*. A nonparticipating contract cannot be negotiated or transferred and its redemption terms do not consider market rates.

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

At June 30, 1998, the Commission had \$344,550 in deposits (collected bank balances). These deposits were secured from risk by \$100,000 of federal deposit insurance and \$244,550 of pledged securities held by the Commission or its agent in the Commission's name (GASB Category 1).

There were no repurchase or reverse repurchase agreements at June 30, 1998.

NOTES TO FINANCIAL STATEMENTS

Note 4. Changes in General Fixed Assets

A summary of the changes in the General Fixed Assets Account Group is as follows:

	Balance June 30, <u>1997</u>	<u>Additions</u>	Balance June 30, <u>1998</u>
Furniture and equipment	\$ <u>58,293</u>	\$ <u>9,158</u>	\$ <u>67,451</u>

Note 5. Restricted Cash and Liabilities Payable from Same

Restricted cash equivalents of \$247,915 of the General Fund represents sales taxes paid under protest of \$227,918 plus interest earned on such deposits. During the year ended June 30, 1998, a lawsuit filed for sales taxes paid under protest for the calendar year 1997 by one local vendor, was dismissed and \$519,649 of such taxes was disbursed to the appropriate jurisdictions.

Note 6. Pension Plan

The Administrator and full time employees of the Commission are members of Municipal Employees' Retirement System of Louisiana (the "System"), a cost-sharing, multiple-employer defined benefit pension plan administered by a separate board of trustees. The System is composed of two distinct plans, Plan A and Plan B, with separate assets and benefit provisions. All employees of the Commission are members of Plan A.

All permanent employees working at least 35 hours per week who are not covered by another pension plan and are paid wholly or in part from Commission funds are eligible to participate in the System. Under Plan A, employees who retire at or after age 60 with at least 10 years of creditable service, at or after age 55 with at least 25 years of creditable service or at any age with at least 30 years of creditable service are entitled to a retirement benefit, payable monthly for life, equal to 3% of their final-average salary for each year of creditable service. Final-average salary is the employee's average salary over the 36 consecutive or joined months that produces the highest average. Employees who terminate with at least the amount of creditable service stated above, and do not withdraw their employee contributions, may retire at the ages specified above and receive the benefit accrued to their date of termination. The System also provides death and disability benefits. Benefits are established or amended by state statute.

The System issues an annual publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Municipal Employees' Retirement System of Louisiana, 7937 Office Park Boulevard, Baton Rouge, Louisiana 70809, or by calling (504) 925-4810.

NOTES TO FINANCIAL STATEMENTS

Funding Policy:

Under Plan A, members are required by state statute to contribute 9.25% of their annual covered salary and the Commission is required to contribute at an actuarially determined rate. The current rate is 5.75% of annual covered payroll. Contributions to the System also include 1/4 of 1% (except Orleans and East Baton Rouge Parishes) of the taxes shown to be collectible by the tax rolls or each parish. These tax dollars are divided between Plan A and Plan B based proportionately on the salaries of the active members of each plan. The contribution requirements of plan members and the Commission 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, 1998, 1997, and 1996, were \$4,437, \$4,121 and \$4,582, respectively, equal to the required contributions for each year.

Note 7. Deferred Compensation Plan

The Commission offers its full-time employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency except for a one-time withdrawal which is subject to certain restrictions.

All assets of the plan, including all deferred amounts, property and rights purchased with deferred amounts, and all income attributable to such deferred amounts, property or rights, are held in a trust, custodial account or annuity contract for the exclusive benefit of the participants and beneficiaries.

Investments are managed by the plan's trustees which offer a number of funds. The choice of the investment option(s) is made by the individual employee.

NOTES TO FINANCIAL STATEMENTS

Note 8. Changes in Agency Fund Balances

The following is a summary of the sales and use tax collected and paid to the constituents and the General Fund of the Commission for the year ended June 30, 1998:

Collections:	
Sales and use tax collections	<u>\$ 13,391,823</u>
Remittances:	
Taxes distributed:	
Morehouse Parish School Board	\$ 4,031,029
Morehouse Parish Police Jury	4,019,323
Morehouse Parish Sheriff	1,343,488
City of Bastrop	3,768,015
Village of Mer Rouge	156,523
Village of Bonita	16,000
Village of Collinston	8,584
Refunded sales and use tax	48,279
Collection costs reimbursed to General Fund	19
Audit recovery fee	<u>563</u>
Total remittances	<u>\$ 13,391,823</u>

The assets and liabilities of the deferred compensation plan increased to \$23,813 as of June 30, 1998, from \$17,830 as of June 30, 1997, which represents current contributions, fees and the changes in market value.

Note 9. 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. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

SUPPORTING SCHEDULE

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
For the Year Ended June 30, 1998

	Budget	Actual	Variance - Favorable (Unfavorable)
Current:			
General government:			
Personal services:			
Salaries	\$ 87,041	\$ 80,004	\$ 7,037
Retirement	4,515	4,437	78
Group health insurance	8,204	7,595	609
Payroll taxes	1,680	1,196	484
Workers' compensation insurance	610	542	68
Unemployment insurance	<u>1,000</u>	<u>2,025</u>	<u>(1,025)</u>
Total personal services	<u>\$ 103,050</u>	<u>\$ 95,799</u>	<u>\$ 7,251</u>
Operating services:			
Refund surplus	\$ -	\$ 18,572	\$(18,572)
Dues and subscriptions	1,000	797	203
Printed forms	2,600	2,747	(147)
Postage and permits	5,500	4,904	596
Telephone	3,000	3,944	(944)
Office rent and utilities	8,700	8,496	204
Repairs and maintenance	3,300	2,725	575
Office supplies	3,000	2,604	396
Computer upgrades	<u>3,000</u>	<u>2,291</u>	<u>709</u>
Total operating services	<u>\$ 30,100</u>	<u>\$ 47,080</u>	<u>\$(16,980)</u>
Professional services:			
Bank charges	\$ 50	\$ 23	\$ 27
Legal	4,600	6,681	(2,081)
Audit	2,800	2,729	71
Insurance	<u>3,400</u>	<u>3,149</u>	<u>251</u>
Total professional services	<u>\$ 10,850</u>	<u>\$ 12,582</u>	<u>\$(1,732)</u>
Travel, education and audit	<u>\$ 6,000</u>	<u>\$ 7,398</u>	<u>\$(1,398)</u>
Capital outlay			
Equipment	\$ 5,000	\$ 8,820	\$(3,820)
Furniture	<u>2,000</u>	<u>338</u>	<u>1,662</u>
Total capital outlay	<u>\$ 7,000</u>	<u>\$ 9,158</u>	<u>\$(2,158)</u>
Total general fund expenditures	<u>\$ 157,000</u>	<u>\$ 172,017</u>	<u>\$(15,017)</u>

HILL, INZINA & COMPANY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
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 the general-purpose financial statements of Morehouse Sales and Use Tax Commission, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 1, 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 Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, 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 one instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as item 98-1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 the Commission's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 98-2.

-14-

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 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 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 consider the above reportable condition to be a material weakness.

This report is intended for the information of the Board of Commissioners and management. However, this report is a matter of public record and its distribution is not limited.

September 1, 1998

Hill, Arzner & Co.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF FINDINGS
For the Year Ended June 30, 1998

We have audited the general-purpose financial statements of Morehouse Sales and Use Tax Commission, as of and for the year ended June 30, 1998, and have issued our report thereon dated September 1, 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. Our audit of the financial statements as of June 30, 1998, resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Reportable Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II - Financial Statement Findings

1998-1 Noncompliance with State Statute (cited also in audit for the year ended June 30, 1996)

Criteria: The Local Government Budget Act requires that the chief executive officer, or equivalent, notify in writing the governing authority during the year when actual expenditures plus projected expenditures to year end exceed budgeted expenditures by 5% or more.

Condition: Expenditures for the year ended June 30, 1998, of \$172,017 exceeded appropriations of \$157,000 by \$15,017 or 9.56%.

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

Cause: The Administrator was not aware that current refunds of collection fees remitted by the jurisdictions to the Commission in previous years was to be reported for budget purposes as a current expenditure.

Recommendation: The Administrator should notify the Board of Commissioners in writing when actual expenditures plus projected expenditures to year end exceed budget expenditures by 5% or more. The Board of Commissioners should then adopt the appropriate budget amendments.

Management's
response and
planned cor-
rective action:

The Administrator concurs with the finding and will periodically monitor the budget and notify the Board of Commissioners in writing as amendments are required.

1998-2 Inadequate Segregation of Duties (finding was 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.

Effect: Not determined.

Cause: The condition is due to economic and space limitations.

Recommendation: No action is recommended.

Management's
response and
planned cor-
rective action:

We concur in the finding, but it is not economically feasible nor does space allow for corrective action to be taken.

Section III - Management Letter

None issued.

MOREHOUSE SALES AND USE TAX COMMISSION
BASTROP, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended June 30, 1998

Section I - Internal Control and Compliance Material to Financial Statements

1997-1 Inadequate Segregation of Duties

Adequate segregation of duties is essential to proper internal control.

Unresolved - 1998-2.

Section II - Management Letter

None issued.