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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, 1999

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 MAR 22 2000

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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, 1999 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.

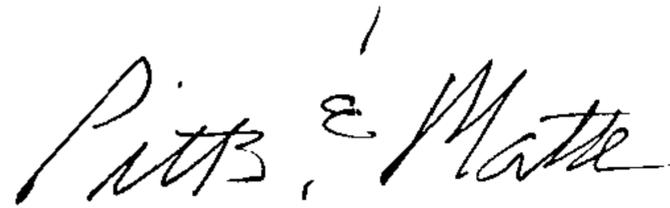
The St. Mary Parish Sales and Use Tax Dept. is an agency fund created to collect certain taxes within St. Mary Parish and remit them to the various governing bodies within the Parish. The operations of an Agency Fund are custodial in nature and because of this, these financial statements measure the 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, 1999, and the changes in its assets and liabilities for the year then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying general 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.

The accompanying supplementary information required by the Governmental Accounting Standards Board (GASB) listed in the table of contents is not a required part of the general purpose financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and do not express an opinion on it. In addition, we do not provide assurance that the St. Mary Parish Sales and Use Tax Dept. is or will become year 2000 compliant, that the year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Department does business are or will be year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued our report dated January 28, 2000 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.

A handwritten signature in cursive script that reads "Pitts & Matte".

CERTIFIED PUBLIC ACCOUNTANTS

January 28, 2000

ST. MARY PARISH SALES AND USE TAX DEPT.
BALANCE SHEET
December 31, 1999

ASSETS

Cash	\$2,155,471
Cash - restricted	51,787
Prepaid expenses	1,500
	<hr/>
Total	\$2,208,758
	<hr/> <hr/>

LIABILITIES

Accounts payable and accrued liabilities	\$214
Amounts due to taxing units:	
Amount currently payable to taxing units	2,150,811
Retained taxes collected	57,733
	<hr/>
Total	\$2,208,758
	<hr/> <hr/>

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, 1999

<u>Assets</u>	
Cash:	
Beginning balance	\$1,873,909
Increases	26,356,068
Decreases	(26,074,506)
Ending Balance	<u>\$2,155,471</u>
Cash - Restricted Protest Tax:	
Beginning balance	\$0
Increases	51,797
Decreases	(10)
Ending Balance	<u>\$51,787</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	\$620
Increases	66,155
Decreases	(66,561)
Ending balance	<u>\$214</u>
Amounts currently payable to taxing units	
Beginning balance	\$1,869,074
Increases	28,288,866
Decreases	(28,007,129)
Ending balance	<u>\$2,150,811</u>
Retained taxes collected:	
Beginning balance	\$5,715
Increases	52,218
Decreases	(200)
Ending balance	<u>\$57,733</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, 1999

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 4% 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, 1999.

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, 1999:

Cash - stated value	<u>\$2,207,258</u>
Cash - bank balance	\$2,262,112
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	2,162,112
Value of securities pledged under Louisiana law	<u>2,456,357</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, 1999:

St. Mary Parish School Board	\$947,666
St. Mary Parish Council	365,312
City of Morgan City	286,343
City of Franklin	169,363
City of Patterson	101,932
Town of Berwick	86,325
Town of Baldwin	46,026
St. Mary Parish Recreation District #1	17,470
St. Mary Parish Sheriff's Office	<u>130,374</u>
	<u>\$2,150,811</u>

NOTE 4 - PENSION PLAN

St. Mary Parish Sales & Use Tax Dept. Contributes to the Parochial Employees' Retirement System of Louisiana (Plan A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees consisting of seven members. The System provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The System was established by the Louisiana legislature Act 205 of 1952 and revised by Act 765 of 1970. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by calling the Parochial Employees' Retirement System of Louisiana at (225) 928-1361.

Plan members are required to contribute 9.50% of their annual covered salary and St. Mary Parish Sales and Use Tax Dept. Is required to contribute at a rate established by the State Legislature The current rate is 7.75% of annual payroll. The St. Mary Parish Sales and Use Tax Dept.'s actual contributions to the System for the years ending December 31, 1999, 1998, and 1997 were approximately \$42,000, \$38,000, and \$38,000 respectively; and were equal to the required contributions for each year.

NOTE 5- LEASES

The Department has no material long-term non-cancellable lease commitments at December 31, 1999

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 1999 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. There were no significant reductions in insurance coverages from prior years. There were no insurance settlements in excess of the amount of coverage during the last three years.

GENERAL SUPPLEMENTARY INFORMATION

ST. MARY PARISH SALES AND USE TAX DEPT.
Schedule of Yearly Transactions
For the Year Ended December 31, 1999

Receipts	
Sales tax and other collections	\$26,101,785
Interest on investments	36,369
Total	\$26,138,154
Disbursements	
Allocation of administrative costs	\$580,177
Transfer and allocations of sales taxes to:	
St. Mary Parish	
Law Enforcement	595,681
Sanitation Fund	1,858,805
Debt Service Fund	1,275,588
Sales Tax Wards 1,2,3,4,7 and 10	316,579
Wards 5 & 8 Sales Tax Fund	211,936
Recreation District No. 1	165,954
Wards 6 & 9 Sales Tax Fund	41,488
St. Mary Parish School Board	11,167,378
City of Morgan City	3,443,482
City of Franklin	2,036,620
Town of Berwick	1,007,179
City of Patterson	1,148,583
Town of Baldwin	533,621
St. Mary Parish Sheriff's Office	1,533,520
	25,336,414
Transfer of chain store tax	6,238
Transfer of hotel/motel tax to:	
St. Mary Parish Tourist Commission	215,325
	215,325
Total	\$26,138,154

ST. MARY PARISH SALES AND USE TAX DEPT.

Schedule of Administrative Cost
For the Year Ended December 31, 1999

Salaries	\$274,911
Examination fees and costs	136,613
Group insurance	38,111
Retirement expense	21,306
Office supplies	11,641
Computer expense	8,868
Auto and travel expense	21,887
Postage	13,596
Rent	9,600
Telephone	9,596
Equipment rental and maintenance	4,159
Payroll taxes	1,918
Professional services	19,432
Due and subscriptions	3,477
Office equipment	3,928
Cost of court	1,134
	<hr/>
	\$580,177
	<hr/> <hr/>

**SUPPLEMENTARY INFORMATION REQUIRED BY
GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

ST. MARY PARISH SALES AND USE TAX DEPT.
YEAR 2000 INFORMATION

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

The Department 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 Department operations. The Department has identified the following systems requiring year 2000 remediation:

Sales tax collection, recording and distributions

At December 31, 1999, the Department had remediated, validated and tested the system.

Financial reporting and payroll

At December 31, 1999, the Department had remediated, validated and tested the financial reporting and payroll computer 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 Department is or will be year 2000 ready, that the Department's remediation efforts will be successful in whole or in part, or that parties with which the Department does business will be year 2000 ready.

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, 1999, and have issued our report thereon dated January 28, 2000. 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.

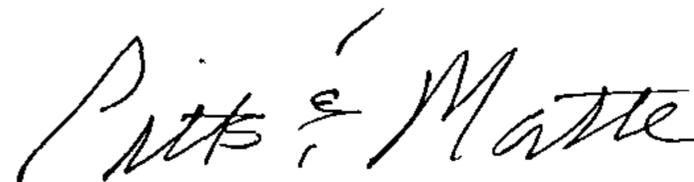
Internal Control Over Financial Reporting

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 24, 1999, for the year ended December 31, 1998, 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 cursive script that reads "Pitt & Matte". The signature is written in black ink and is centered on the page.

CERTIFIED PUBLIC ACCOUNTANTS

January 28, 2000