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STATE OF LOUISIANA
BAGNOLINE

ST. MARY PARISH COMMUNICATIONS DISTRICT
STATE OF LOUISIANA

**Annual Component Unit Financial Statements
with Independent Auditors' Report**

and

Report on Internal Accounting Control and Compliance

For the Year Ended December 31, 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. This report is available for public inspection at the State Library of Louisiana, the State Archives, the State Office of Information, the State Office of the Auditor General, the State Office of the Parish Clerk of Court.

Release Date 8-11-99

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
St. Mary Parish
Communications District, State of Louisiana
Franklin, Louisiana

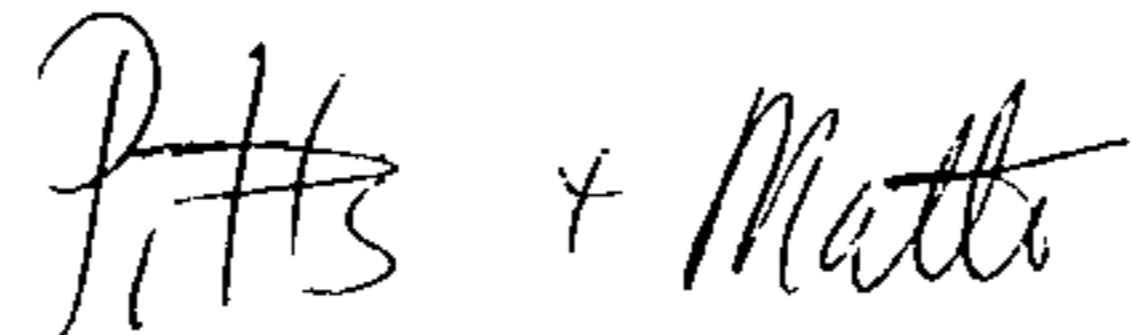
We have audited the accompanying general purpose financial statements of St. Mary Parish Communications District, State of Louisiana, a component unit of the St. Mary Parish Council, as of and for the year ended December 31, 1998, as listed in the financial information section of the foregoing table of contents. These general purpose financial statements are the responsibility of St. Mary Parish Communications District, State of Louisiana'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 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 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 St. Mary Parish Communications District, State of Louisiana as of December 31, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

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 Communications District 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 District does business are or will be year 2000 compliant.

In accordance with Government Auditing Standards, we have also issued a report dated June 14, 1999 on our consideration of St. Mary Parish Communications District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Handwritten signature in cursive script, appearing to read "Pitts + Matto".

CERTIFIED PUBLIC ACCOUNTANTS

June 14, 1999

FINANCIAL INFORMATION SECTION

ST. MARY PARISH COMMUNICATIONS DISTRICT
 State of Louisiana
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1998

	<u>Governmental Fund Type General Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
ASSETS			
Cash	\$112,898		\$112,898
Receivables	40,105		40,105
Furniture and equipment		\$84,110	84,110
	<hr/>	<hr/>	<hr/>
Total assets	\$153,003	\$84,110	\$237,113
	<hr/>	<hr/>	<hr/>
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities			
Accounts payable and accrued expenses	\$17,148		\$17,148
	<hr/>	<hr/>	<hr/>
Total liabilities	17,148		17,148
	<hr/>	<hr/>	<hr/>
Equity and Other Credits			
Investment in general fixed assets		\$84,110	84,110
Fund Balance	135,855		135,855
	<hr/>	<hr/>	<hr/>
Total equity and other credits	135,855	84,110	219,965
	<hr/>	<hr/>	<hr/>
Total liabilities, equity, and other credits	\$153,003	\$84,110	\$237,113
	<hr/>	<hr/>	<hr/>

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
State of Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
General Fund (Governmental Fund Types)
December 31, 1998

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Communications District tax	\$248,400	\$266,008	\$17,608
Cellular tax	63,200	76,529	13,329
Interest earned	5,000	6,749	1,749
	<hr/>	<hr/>	<hr/>
Total revenues	316,600	349,286	32,686
	<hr/>	<hr/>	<hr/>
Expenditures			
Public safety			
Salaries	166,400	165,762	638
Payroll taxes and employee benefits	54,535	48,029	6,506
Telephone and equipment rental	83,000	90,060	(7,060)
Dues and subscriptions	1,200	1,022	178
Professional fees	7,100	6,860	240
Supplies	4,500	7,600	(3,100)
Travel and training	3,200	2,888	312
Repairs and maintenance	1,820	8,782	(6,962)
Postage	200	128	72
SCB administration fee	3,000	2,875	125
Cellular administration fee	500	(31)	531
Uniforms	600	499	101
Utilities	3,000	1,919	1,081
Capital outlay	31,100	19,419	11,681
	<hr/>	<hr/>	<hr/>
Total expenditures	360,155	355,812	4,343
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(43,555)	(6,526)	37,029
Fund balance, beginning of year	132,997	142,381	9,384
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	\$89,442	\$135,855	\$46,413
	<hr/>	<hr/>	<hr/>

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

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St. Mary Parish Communications District
State of Louisiana

Notes to the Financial Statements
December 31, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Mary Parish Communications District, State of Louisiana was created by Ordinance No. 1054 of the St. Mary Parish Council, on March 8, 1989, to provide E911 services for all territory within the corporate limits of the Parish of St. Mary, State of Louisiana.

The financial statements of St. Mary Parish Communications District, 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 District'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:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

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

These financial statements include only the operations of the District.

B. Fund Accounting

The District uses one fund and one account group 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 related to certain government functions or activities.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the fund because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

The District's current operations require the use of one fund, the general fund and one account group, the general fixed assets account group.

Governmental Fund

The General Fund is the primary operating fund of the District. It is used to account for all financial resources of the District, since at the current time no other funds are required.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are 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. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. 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.

The District's major source of revenue is the Communications District tax which is recorded as revenue in the month collected by the telephone company.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

Budgets are adopted annually on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general fund. All annual appropriations lapse at fiscal year end. Budgets are amended when needed upon approval by the Board.

E. Cash

For financial statement purposes, cash includes demand deposits.

Certain cash deposits are maintained in commingled accounts with deposits of other governments. Interest earned on these commingled deposits are allocated to each entity based upon their pro rata share of the total deposit.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Assets in the general fixed assets account group are not depreciated.

G. Compensated Absences

Employees earn vacation and sick leave annually at varying rates depending upon length of service. These compensated absences are allowed to accumulate from period to period if not used.

Upon termination an employee is compensated for accumulated vacation time, but, employees are not compensated for sick time unless termination is due to retirement.

An accrual is made for the amount of compensation the employees will receive in the future based upon services performed in the current year for vacation time not used. These accruals at December 31, 1998, totaled approximately \$4,592.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Memorandum Only - Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - CASH AND CASH EQUIVALENTS

The District 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 District 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.

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 deposit with the bank. These pledged securities are held in the name of the 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, 1998:

Cash - stated value	<u>\$112,898</u>
Cash - bank balance	\$112,648
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	12,648
Value of securities pledged under Louisiana law	<u>12,648</u>
Amount unsecured under Louisiana law	<u>NONE</u>

NOTE 4 - FIXED ASSETS

The following is a summary of changes in the general fixed assets account group during the fiscal year.

	<u>Balance</u> <u>01/01/98</u>	<u>Additions</u>	<u>Balance</u> <u>12/31/98</u>
Furniture and equipment	<u>\$64,691</u>	<u>\$19,419</u>	<u>\$84,110</u>
Total	<u>\$64,691</u>	<u>\$19,419</u>	<u>\$84,110</u>

NOTE 5 - COMPENSATION OF COMMISSIONERS

The Commissioners of the district received no per diems for the year ended December 31, 1998.

NOTE 6 - COMMITMENTS

The District entered into a rental/service agreement with Bell South on November 20, 1989 to provide the District with the necessary answering point equipment and service lines to implement the 911 Emergency Service System. This agreement called for a nonrecurring charge (installment cost) of \$50,908 plus subsequent periodic monthly charges. The District paid \$5,656 for the first eight months and \$7,109 for each of the remaining four months of 1998. The monthly charge is made up of rental fees and service fees totaling \$3,122 and \$3,987 respectively. The monthly services and related charges are on a month-to-month basis and can be canceled upon notification.

NOTE 7 - PENSION PLAN AND OTHER RETIREMENT BENEFITS

St. Mary Parish Communications District 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 by Act 205 of 1952 and revised by Act 765 of 1979. 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.

NOTE 7 - PENSION PLAN AND OTHER RETIREMENT BENEFITS (continued)

Plan members are required to contribute 9.50% of their annual covered salary and St. Mary Parish Communications District is required to contribute at a rate established by the State Legislature. The current rate is 7.75% of annual covered payroll. The District's actual contributions to the System for the years ending December 31, 1998, 1997, and 1996 were approximately \$13,000, \$10,000, and \$7,000 respectively; and equal the required contributions for each year.

NOTE 8 - RISK MANAGEMENT

The District 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 District has purchased commercial insurance to protect against most of the perils.

There were no significant reductions in insurance coverages from prior years.

NOTE 9 - CONCENTRATIONS

Substantially all of the District's revenues are in the form of communications and cellular tax revenue. The Communications taxes collected during 1998 accounted for approximately seventy-eight percent of the District's total revenue, and the cellular taxes collected accounted for approximately nineteen percent of the District's total revenue received.

NOTE 10 - UNCERTAINTIES

The District is a defendant in a lawsuit filed by a former employee alleging wrongful termination. The District's insurance company has retained an attorney to defend the case and is vigorously defending the allegations.

The District has also received a letter from the attorney of another former employee requesting payment for alleged compensatory time owed. The District denies this claim.

Neither of these matters have proceeded to the point where the District or its legal counsel can make an estimate of the ultimate outcome of either matter nor related liabilities, if any, to the District. Therefore no liability is recorded in these financial statements related to either of these claims.

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

ST. MARY PARISH COMMUNICATIONS DISTRICT
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 as early as 1999.

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

911 Telephone Answering Equipment

The District rents all of its 911 telephone answering equipment from Bell South Business Systems, Inc., the owner. The owner of the equipment is responsible for its year 2000 compliance. During 1999, a representative of Bell South Business Systems, Inc. is scheduled to remediate the system. After remediation, the equipment will need to be tested and validated.

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**

Board of Commissioners
St. Mary Parish Communications District
State of Louisiana
Franklin, Louisiana

We have audited the general purpose financial statements of the St. Mary Parish Communications District, as of and for the year ended December 31, 1998, and have issued our report thereon dated June 14, 1999. 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 Communications District'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 one instance of noncompliance that is required to be reported under Government Auditing Standards which is described in the noncompliance section of this report as item 98-1.

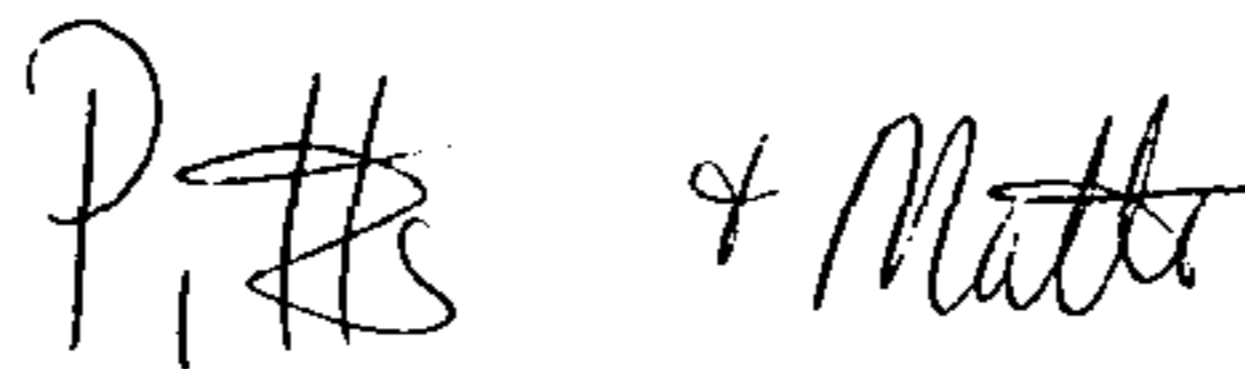
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Parish Communications District'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 May 26, 1998, for the year ended December 31, 1997, 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.

Handwritten signature in cursive script, appearing to read "P. H. & M. H." with a stylized ampersand.

CERTIFIED PUBLIC ACCOUNTANTS

June 14, 1999

ITEM OF ALLEGED NONCOMPLIANCE

ITEM 98-1 - ALLEGED NONCOMPLIANCE WITH FEDERAL EMPLOYMENT LAW

Auditors' Comments:

Condition: A former employee of the District has filed a lawsuit alleging wrongful termination as a 911 operator.

Criteria: Alleged violation of the Constitution of the United States and other laws by denial of rights to free speech, property, and due process.

Effect: Possible violation of Federal law.

Cause: Possible flaw in termination procedure.

Management's Response:

This claim is denied and our attorney is vigorously defending the allegations.

ST MARY PARISH E 911
COMMUNICATIONS DISTRICT
1200 DAVID DR BLDG B
MORGAN CITY LA 70380
(504) 385-3385 FAX (504) 385-4467

CHAIRMAN
BOYKIN "CHUCK" BOURGEOIS
512 FIRST STREET
FRANKLIN LA 70538

DEBBIE CAMP
DIRECTOR

VICE CHAIRMAN
WENDELL CLEMENTS
122 LAURA ST
PATTERSON LA 70392

**CORRECTIVE ACTION PLAN FOR ST. MARY PARISH
COMMUNICATION DISTRICT
FOR THE YEAR ENDED: DECEMBER 31, 1998**

DATE: JUNE 30, 1999

ITEM NO. 98-1 - ALLEGED NONCOMPLIANCE WITH FEDERAL LAW

CONDITION:

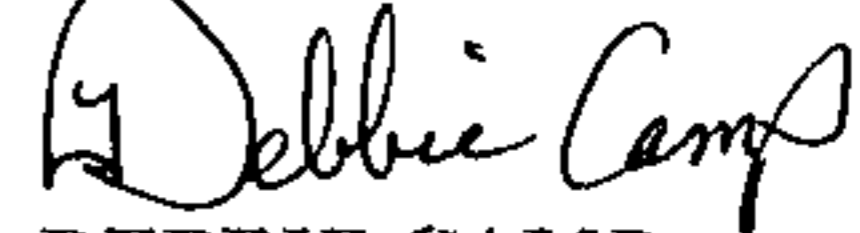
**A FORMER EMPLOYEE OF THE DISTRICT HAS FILED A LAWSUIT ALLEGING
WRONGFUL TERMINATION AS A 911 OPERATOR.**

CORRECTIVE ACTION:

**WE ACKNOWLEDGE THAT THERE HAS BEEN A LAWSUIT FILED AGAINST US.
WE DENY ANY WRONGDOING. WE HAVE CONTACTED OUR INSURANCE COMPANY,
WHO HAS ENGAGED AN ATTORNEY TO REPRESENT US AND WILL VIGOROUSLY
CONTEST THE ALLEGATIONS. WE ARE UNSURE OF THE ULTIMATE OUTCOME OR WHEN
THIS MATTER WILL BE RESOLVED.**

**THE DIRECTOR AND BOARD CHAIRMAN WILL CONTINUALLY MONITOR THE
PROGRESS OF THE MATTER.**

RESPECTIVELY



**DEBBIE CAMP
DIRECTOR**

JIMMY BERNAUER
P O BOX 247
PATTERSON LA 70392

STEVE BIERHORST
P O BOX 978
PATTERSON LA 70392

GERALD MINOR
P O BOX 767
BALDWIN LA 70514

FRANK MULA
1626 CHESTNUT DR
MORGAN CITY LA 70380

TODD PELLERIN
P O BOX 403
CENTERVILLE LA 70522

MICHAEL RAYMOND
208 KATHLEEN ST
PATTERSON LA 70392