

17

~~9519~~

RECEIVED
LEGISLATIVE AUDITOR
98 JUL -6 AM 9:57

96601677
9519

OFFICIAL
FILE COPY
DO NOT SEND OUT
(Xerox necessary
copies from this
copy and PLACE
BACK in FILE)

ST. MARY PARISH COMMUNICATIONS DISTRICT
STATE OF LOUISIANA

Annual Component Unit Financial Statements
with Independent Auditors' Report

and

Reports on Internal Accounting Control and Compliance

For the Year Ended December 31, 1997

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

Release Date JUL 08 1998

C O N T E N T S

	<u>PAGE</u>
FINANCIAL INFORMATION SECTION	
Independent Auditors' Report	1-2
Component Unit Financial Statements	
Combined Balance Sheet	3
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	4
Notes to the Financial Statements	5-11
INTERNAL ACCOUNTING CONTROL AND COMPLIANCE SECTION	
Independent Auditors' Report on Internal Control Structure and Compliance Based on an Audit of General Purpose Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	12-13



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, 1997, 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, 1997, 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 a report dated May 26, 1998 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.

Pitts + Matto

CERTIFIED PUBLIC ACCOUNTANTS

May 26, 1998

FINANCIAL INFORMATION SECTION

ST. MARY PARISH COMMUNICATIONS DISTRICT
 State of Louisiana
 COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
 December 31, 1997

	<u>Governmental Fund Type General Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
ASSETS			
Cash	\$124,192		\$124,192
Receivables	34,713		34,713
Furniture and equipment		\$64,691	64,691
	\$158,905	\$64,691	\$223,596
Total assets			
 LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities			
Accounts payable and accrued expenses	\$16,524		\$16,524
	16,524		16,524
Total liabilities			
 Equity and Other Credits			
Investment in general fixed assets		\$64,691	64,691
Fund Balance	142,381		142,381
	142,381	64,691	207,072
Total equity and other credits			
Total liabilities, equity, and other credits	\$158,905	\$64,691	\$223,596

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, 1997

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues			
Communications District tax	\$243,600	\$250,446	\$6,846
Cellular tax	37,400	50,990	13,590
Interest earned	2,700	5,936	3,236
	<hr/>	<hr/>	<hr/>
Total revenues	283,700	307,372	23,672
	<hr/>	<hr/>	<hr/>
Expenditures			
Public safety			
Salaries	137,750	136,164	1,586
Payroll taxes and employee benefits	43,300	41,471	1,829
Telephone and equipment rental	70,000	71,030	(1,030)
Dues and subscriptions	1,300	1,227	73
Professional fees	4,050	2,940	1,110
Supplies	2,500	2,200	300
Travel and training	5,200	4,362	838
Repairs and maintenance	970	311	659
Postage	200	128	72
SCB administration fee	3,000	2,290	710
Cellular administration fee	500	357	143
Uniforms	3,000	4,653	(1,653)
Capital outlay	20,335	20,318	17
Total expenditures	<hr/>	<hr/>	<hr/>
	292,105	287,451	4,654
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenues over expenditures	(8,405)	19,921	28,326
Fund balance, beginning of year	<hr/>	<hr/>	<hr/>
	37,408	122,460	85,052
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u>\$29,003</u>	<u>\$142,381</u>	<u>\$113,378</u>

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

St. Mary Parish Communications District
State of Louisiana

Notes to the Financial Statements
December 31, 1997

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, 1997, totaled approximately \$4,605.

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, 1997:

Cash - stated value	\$ <u>124,192</u>
Cash - bank balance	\$123,942
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	23,942
Value of securities pledged under Louisiana law	<u>23,942</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>01/01/97</u>	<u>Additions</u>	<u>Balance</u> <u>12/31/97</u>
Furniture and equipment	<u>\$44,536</u>	<u>\$20,155</u>	<u>\$64,691</u>
Total	<u>\$44,536</u>	<u>\$20,155</u>	<u>\$64,691</u>

NOTE 5 - COMPENSATION OF COMMISSIONERS

The Commissioners of the district received no per diems for the year ended December 31, 1997.

NOTE 6 - COMMITMENTS

The District entered into a rental/service agreement with South Central Bell 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 \$5,521 in January and \$5,656 for each of the remaining eleven months. The monthly charge is made up of rental fees and service fees totaling \$2,011 and \$3,645 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

All employees of the District participate in the Parochial Employees' Retirement System of Louisiana (Plan A), a multiple employer public retirement system. The payroll for District employees covered by the System for the year ended December 31, 1997 is approximately \$132,000; the District's total payroll including accrued payroll and compensated absences is approximately \$136,000.

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

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

Covered employees are required by the State Legislature to contribute 9.50% of their gross salary to the plan. The District is required by the same statute to contribute 7.75% of each employee's gross salary to the plan. The entity's actuarially determined contribution requirement has not been calculated. However, the annual contribution rate for all employers as a whole has been determined to be approximately \$19.1 million to fund the plan over a forty year payment period. The actual employer and employee contributions for the plan as a whole for the year ended December 31, 1996 (the latest year for which information is available), was approximately \$47.7 million.

The District's contribution made for the year ended December 31, 1997, was approximately \$23,000 which consisted of \$10,000 from the District and \$13,000 from employees; these contributions represented 7.75% and 9.50% of covered payroll, respectively.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employees service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee retirement systems and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. The pension benefit obligation at December 31, 1996 (the latest available evaluation) for the System as a whole, determined through an actuarial valuation performed as of that date, was \$815.2 million. The System's net assets available for benefits on that date were \$701.0 million, leaving an unfunded pension benefit obligation of \$114.2 million. The District's 1996 contribution represented .0005% of total contributions required of all participating entities.

Historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's December 31, 1996, comprehensive annual financial report. The District does not guarantee the benefits granted by the System.

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

NOTE 8 - RISKS AND UNCERTAINTIES

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.

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, 1997, and have issued our report thereon dated May 26, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Mary Parish 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 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 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 April 25, 1997, for the year ended December 31, 1996, reported no material weaknesses in internal control nor instances of noncompliance.

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

Pitts + Mattis

CERTIFIED PUBLIC ACCOUNTANTS

May 26, 1998