

NOTE 4 - PENSION PLAN (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 Department is required by the same statute to contribute 7.25% 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 the plan as a whole has been determined to be approximately \$23.4 million to fund the plan over a forty year payment period. The actual contributions for the plan as a whole for the year ended December 31, 1995, the latest year for which an evaluation is available, was approximately \$49.6 million. The Department's contribution made for the year ended December 31, 1996, was \$40,343 which consisted of \$17,723 from the Department and \$22,620 from employees; these contributions represented 7.25% 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 employee 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 obligations for individual employers.

The pension benefit obligation at December 31, 1995 for the System as a whole, determined through an actuarial valuation performed as of that date, was \$762.8 million. The System's net assets available for benefits on that date were \$647.6 million, leaving an unfunded pension benefit obligation of \$115.2 million. The Department's contribution represented approximately .08% of total contributions required of all participating entities.

NOTE 2 - CASH (continued)

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, 1996:

Cash - stated value	<u>\$2,172,346</u>
Cash - bank balance	\$2,238,380
Portion insured by federal deposit insurance	200,000
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	2,038,380
Value of securities pledged under Louisiana law	<u>2,038,380</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, 1996:

St. Mary Parish School Board	\$1,088,886
St. Mary Parish Council	357,341
City of Morgan City	303,908
City of Franklir.	170,791
City of Patterson	101,986
Town of Berwick	86,370
Town of Baldwin	46,416
St. Mary Parish Recreation District #1	16,101
	<u>\$2,171,799</u>

NOTE 4 - PENSION PLAN

Substantially all full-time employees of the St. Mary Parish Sales and Use Tax Dept. participate in the Parochial Employees' Retirement System of Louisiana (Plan A), a cost-sharing multiple employer public employee retirement system. The payroll for Department employees covered by the System for the year ended December 31, 1996 is approximately \$226,000, the Department's total payroll is approximately \$243,000.

NOTE 4 -- PENSION PLAN (continued)

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, 1995, comprehensive annual financial report. The department does not guarantee the benefits granted by the System.

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

The Department is responsible for withholding and remitting contributions from participants to the State for inclusion in the plan. The State is responsible for remitting benefits to the participants.

NOTE 5- LEASES

The Department has no material long-term non-cancellable lease commitments at December 31, 1996.

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 1996 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.

SUPPLEMENTARY INFORMATION

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The Department uses funds 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.

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.

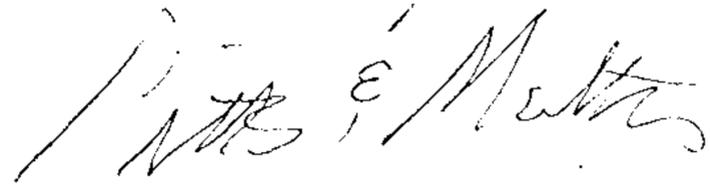
C. Basis of Accounting

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.

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.



CERTIFIED PUBLIC ACCOUNTANTS

ST. MARY PARISH SALES AND USE TAX DEPT.

Notes to the Financial Statements

December 31, 1996

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 3.5% 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.

Liabilities

Amounts currently payable to taxing units:

Beginning balance	\$ 1,595,236
Increases	23,224,709
Decreases	(22,648,146)
Ending balance	\$ <u>2,171,799</u>

Amount held by the department for operations:

Beginning balance	\$ 6,000
Increases	--
Decreases	(--)
Ending balance	\$ <u>6,000</u>

Retained taxes collected:

Beginning balance	\$ 104,778
Increases	2,047
Decreases	(90,191)
Ending balance	\$ <u>16,634</u>

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

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, 1996.

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 taxes paid under protest 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.

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.

ST. MARY PARISH SALES AND USE TAX DEPT.

Schedule of Yearly Transactions
For the Year Ended December 31, 1996

Receipts

Sales tax and other collections	\$24,140,638
Interest on investments	36,826
Taxes paid under protest	12,167
Total	<u>\$24,189,631</u>

Disbursements

Allocation of administrative costs	\$ 551,965
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Transfer and allocations of sales taxes to:

St. Mary Parish	
Sanitation Fund	1,956,407
Debt Service Fund	1,343,125
Sales Tax Wards 1, 2, 3, 4, 7 and 10	336,258
Wards 5 and 8 Sales Tax Fund	205,760
Recreation District No. 1	194,963
Wards 6 and 9 Sales Tax Fund	48,741
St. Mary Parish School Board	11,752,689
City of Morgan City	3,230,254
City of Franklin	1,894,692
Town of Berwick	927,442
City of Patterson	1,054,424
Town of Baldwin	495,065
	<u>23,439,820</u>

Transfer of hotel/motel tax to:

St. Mary Parish Tourist Commission	<u>197,846</u>
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Total	<u>\$24,189,631</u>
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ST. MARY PARISH SALES AND USE TAX DEPT.

Schedule of Administrative Costs
For the Year Ended December 31, 1996

Salaries	\$243,320
Audit fees	148,070
Group insurance	27,334
Retirement expense	17,723
Office supplies	21,018
Computer expense	2,584
Auto and travel expense	17,913
Postage	13,571
Rent	9,600
Telephone	9,854
Equipment rental and maintenance	10,720
Payroll taxes	7,207
Professional services	10,085
Dues and subscriptions	2,729
Office equipment	8,035
Public Official bond	250
Cost of Court	<u>1,952</u>
	<u>\$551,965</u>

INTERNAL CONTROL AND COMPLIANCE SECTION

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 18, 1997

Mr. Thaddeus Marcell, Director
St. Mary Parish Sales and Use Tax Dept.
Morgan City, Louisiana

We have audited the general purpose financial statements of 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, 1996, and have issued our report thereon dated March 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement.

The management of St. Mary Parish Sales and Use Tax Dept. is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

March 18, 1997

Mr. Thaddeus Marcell, Director
St. Mary Parish Sales and Use Tax Dept.
Morgan City, Louisiana

We have audited the general purpose financial statements of 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, 1996, and have issued our report thereon dated March 18, 1997.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to St. Mary Parish Sales and Use Tax Dept. is the responsibility of St. Mary Parish Sales and Use Tax Dept.'s management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of St. Mary Parish Sales and Use Tax Dept.'s compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. 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.

A similar letter issued by us dated March 18, 1996 for the year ended December 31, 1995 reported no instances of material noncompliance.

ST. MARY PARISH SALES AND USE TAX DEPT.

BALANCE SHEET

December 31, 1996

ASSETS

Cash	\$2,172,346
Cash-restricted protest tax	14,587
Cash-restricted for operations of the department	6,000
Prepaid expenses	<u>1,500</u>
Total	<u>\$2,194,433</u>

LIABILITIES

Amounts due to taxing units:	
Amount currently payable to taxing units	\$2,171,799
Amounts held by the department for operations	6,000
Retained taxes collected	<u>16,634</u>
Total	<u>\$2,194,433</u>

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

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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, 1996 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 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, 1996, and the changes in its assets and liabilities 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 March 18, 1997 on our consideration of the Department's internal control structure and a report dated March 18, 1997 on its compliance with laws and regulations.

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



CERTIFIED PUBLIC ACCOUNTANTS

March 18, 1997

