

ST. MARY PARISH SALES AND USE TAX DEPT.

STATE OF LOUISIANA

Annual Component Unit Financial Statements with
Independent Auditors' Report

and

Report on Internal Control Over Financial Reporting and Compliance
and Other Matters

For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

Mr. Jeff LaGrange, Director
St. Mary Parish Sales and Use Tax Dept.
Morgan City, Louisiana

Report on the Financial Statement

We have audited the accompanying Statement of Fiduciary Net Position of the St. Mary Parish Sales and Use Tax Dept., a component unit of the St. Mary Parish Council, as of December 31, 2018, and the related notes to the financial statement which comprise the St. Mary Parish Sales and Use Tax Dept.'s basic financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. 1

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the St. Mary Parish Sales and Use Tax Dept., as of December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As described in Note 1-B, 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, the financial statement reports the assets and liabilities and does not report results of operations, nor changes in assets and liabilities. Our opinion is not modified with respect to this matter.

As described in Notes 1-K and 5 to the financial statement, the St. Mary Sales and Use Tax Dept. adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statement. Such missing information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedule of the Department's Proportionate Share of the Net Pension Liability, the Schedule of Department's Contributions, and the Schedule of the Department's Total OPEB Liability and Related Ratios, as listed in the table of contents, be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

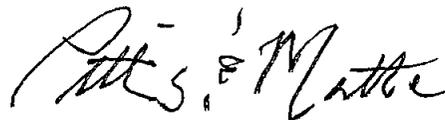
Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statement as a whole. The accompanying Schedules of Administrative Cost and Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer are presented for purposes of additional analysis and are not a required part of the basic financial statement.

The accompanying Schedules of Administrative Cost and Compensation, Benefits, and Reimbursements to Agency Head, Political Subdivision Head, or Chief Executive Officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole.

Other Reporting Requirements by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2019 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Department's internal control over financial reporting or on compliance. That report is an integral part of our audit performed in accordance with Government Auditing Standards in considering St. Mary Parish Sales and Use Tax Dept.'s internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2019
Morgan City, Louisiana

ST. MARY PARISH SALES AND USE TAX DEPT.

STATEMENT OF FIDUCIARY NET POSITON
December 31, 2018

ASSETS

Cash	\$ 2,677,443
Investments	1,999,814
Sales tax receivable	3,869,915
Amounts due from taxing units	296,177
Net Pension Asset	<u>53,762</u>
Total assets	8,897,111

Deferred Outflows of Resources

Related to pensions	120,478
Related to OPEB	<u>30,283</u>
Total deferred outflows of resources	<u>150,761</u>

Total Assets and Deferred Outflows of Resources \$ 9,047,872

LIABILITIES

Accounts payable and accrued liabilities	\$ 1,387
Amounts due to taxing units:	
Amount payable in January, 2018	2,925,884
Amount payable in February, 2018	3,869,915
Retained taxes collected	796,819
Accrued compensated absences	66,667
Other postemployment benefits liability	<u>1,227,560</u>
Total liabilities	8,888,232

Deferred Inflows of Resources

Related to pensions	<u>159,640</u>
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Total Liabilities and Deferred Inflows of Resources \$ 9,047,872

ST. MARY PARISH SALES AND USE TAX DEPT.

Notes to the Financial Statement

December 31, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Sales and Use Tax Dept. (Department) 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 collects a total of 4% (4.3% within the City of Morgan City) sales tax which has been levied over the years and distributes the proceeds to the various taxing units within the Parish. In addition, the Department collects and distributes the Hotel/Motel Tax and occupational licenses within the parish. Each taxing unit has agreed to reimburse the Department for a portion of the operating costs.

The financial statements of the Department 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 plus deferred outflows equal liabilities plus deferred inflows) and does not involve measurement of results of operations.

C. Basis of Accounting

The Department uses the full accrual basis of accounting. Under the full accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Collections

Sales and use taxes and hotel motel taxes are recognized in the month that the retail sale or lodging stay occurs, not when the taxes are collected by the Department. Occupational license taxes are recognized when the tax is collected by the Department.

The Department is entitled to the sales and use tax revenues at the time a retail sale takes place. Taxes on sales occurring during one month become due on the first day of the subsequent month and the sales tax return and related tax payment on those sales are due to the Department by the twentieth of the subsequent month. Returns and payments received after the twentieth day of the month are delinquent and are charged interest from the first day of the month. The Department collects the sales taxes at that time and then remits the collections to the various taxing units by the tenth of the following month.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Department records the asset (sales tax receivable) and the related liability (amount payable to taxing units) at the time of the taxable sale.

For example, when taxable sales occur in December, the related asset (receivable) and liability (payable) are recorded in December. The taxes collected on the December sales are due by the twentieth day of January and are distributed to various taxing units on February tenth.

Distributions

The liability for distribution to the various taxing units is recorded in the month the various taxes are recognized by the Department.

Cost of Operations

Items which make up operating charges are generally recognized under the accrual basis of accounting when the related liability is incurred.

D. Net Pension Liability and Deferred Outflows and Inflows of Resources

In a prior year, the Department implemented GASB Statement No. 68 "Accounting and Financial Reporting for Pensions". This GASB statement establishes accounting and financial reporting by state and local governments for pensions. This pronouncement requires the Department to calculate and recognize a net pension liability and certain deferred outflows and inflows of resources and pension costs. The Department is a member of the Parochial Employees' Retirement System of Louisiana – Plan A (PERS-A), a cost sharing multiple employer public employee retirement system. For purposes of measuring its net pension liability, deferred outflows and inflows of resources, and pension costs, the Department uses the same basis as PERS-A.

See Note 4 for further details about this pension plan.

E. Budgets

The Department is not required to adopt and did not adopt a budget for the year ended December 31, 2018.

F. Cash

For financial statement purposes, cash includes demand deposits and interest-bearing demand deposits.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Investments

The Department invests primarily in external investment pools. These pooled investments are recorded at fair value.

H. 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 or investment 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 the taxpayer, if the transaction is determined to be nontaxable or; distributed to various taxing governments, if the transaction is determined to be taxable.

I. Compensated Absences

Employees earn vacation and sick leave annually at varying rates depending upon length of service, vacation does not accumulate and can only be used in the current period. Compensated absences due to sick pay are allowed to accumulate from period to period if not used, however, an employee is only compensated for sick time, when they are absent due to illness or upon termination due to retirement. An accrual of approximately \$67,000 is made for accumulated sick time estimated to be paid to employees at retirement, based upon their years of services provided through December 31, 2018.

J. Other Postemployment benefits liability

The Department has agreed to provide its employees with postemployment benefits as described further in Note 5. In addition, the Department is currently setting aside certain assets to fund these benefit payments that will become due in future years. The assets set aside are reported with investments. The related liability is reported as other postemployment benefits liability.

K. Accounting Changes

In 2018 the Department adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB) which establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to OPEB. This statement identifies the methods and assumptions required to project benefit payments to their actuarial present value and attribute said present value to periods of employee service. This statement requires changes to be applied retroactively which would result in an increase in beginning OPEB liability and amounts due from taxing units by \$85,530.

L. Future Accounting Changes

The GASB has issued its Statement No. 84 *Fiduciary Activities* which modifies the way Agency funds account for certain of their activities. This pronouncement will be effective for the Department for the year 2019. Management has not yet determined the effect of the Statement on its financial reporting.

NOTE 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The Department does not have a formal investment policy related to interest rate risk (the risk of an investment decreasing in value due to increasing interest rates).

In addition, the Department does not have a formal investment policy related to credit risk (including concentrations of credit).

However the Department does follow state law as to limitations on types of deposits and investments as described below.

The Department does not invest in any investments subject to foreign currency risk.

Cash and cash equivalents

Under state law the Department may deposit its funds with certain state and federally chartered financial institutions. These deposits are required to be insured or collateralized by the financial institutions.

At year end, the carrying amount of the Department's cash was \$2,677,443 and the bank balance was \$2,738,353, \$250,000 of which is covered by federal depository insurance, and the remaining \$2,488,353 was collateralized with securities held by the pledging financial institution.

Investments

Under state law the Department may invest in certain federal or federally guaranteed securities, certain bank time certificates of deposit, mutual or trust funds, and in the Louisiana Asset Management Pool (LAMP). LAMP is a 2a7-like, external investment pool operated to allow local governments to pool their investment funds. LAMP is not registered with the SEC as an investment company. LAMP is subject to regulatory oversight of the Louisiana State Treasurer and the LAMP board of directors. LAMP share values for the pool are valued at fair value based on quoted market rates determined on a weekly basis. The value of the Department's investment in LAMP is the same as the net asset value of its pool shares.

At year end all of the Department's invested funds were invested with LAMP. These investments total \$1,999,814, including investments of \$1,085,265 invested for other post employment benefits and accrued compensated absences and investments totaling \$792,305 held in escrow for taxes paid in protest and are carried at fair value. These investment pool amounts have not been assigned a credit risk category since the Department is not issued securities, however LAMP has a AAAM rating from Standard and Poor's.

LAMP determines its maturities using the weighted average maturity (WAM) method. The WAM of LAMP assets is restricted to not more than 60 days, and consists of no securities with a maturity in excess of 397 days. The WAM for LAMP's total investments is 76 days as of December 31, 2018.

NOTE 3 - AMOUNTS CURRENTLY DUE TO TAXING UNITS

The following is a detail of amounts due to taxing units at December 31, 2018:

	Payable in <u>January 2019</u>	Payable in <u>February 2019</u>
St. Mary Parish School Board	\$1,236,823	\$1,651,409
St. Mary Parish Council	470,407	638,798
City of Morgan City	429,578	564,136
City of Franklin	199,866	296,878
City of Patterson	162,687	183,187
Town of Berwick	132,469	171,623
Town of Baldwin	63,561	75,538
St. Mary Parish Recreation District #1	18,892	18,020
St. Mary Parish Sheriff's Office	176,637	235,846
St. Mary Parish Tourist Commission	34,223	34,480
St. Mary Parish-occupational license	309	--
City of Patterson-occupational license	48	--
City of Morgan City-occupational license	217	--
Town of Berwick-occupational license	24	--
Town of Baldwin-occupational license	143	--
	<u>\$2,925,884</u>	<u>\$3,869,915</u>

NOTE 4 - PENSION PLAN

Plan Description

The Department contributes to the Parochial Employees' Retirement System of Louisiana Plan A (PERS-A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees. The System was established and provided for by the Louisiana Revised Statutes (LRS).

Benefits Provided

PERS-A provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. All permanent employees who work at least 28 hours a week may become members on the date of employment. New employees meeting the age and Social Security criteria have up to 90 days from the date of hire to elect to participate.

Retirement Benefits

Members can retire providing he/she meets one of the following criteria:

For employees hired prior to January 1, 2007:

1. Any age with thirty (30) or more years of creditable service.
2. Age 55 with twenty-five (25) years of creditable service.
3. Age 60 with a minimum of ten (10) years of creditable service.
4. Age 65 with a minimum of seven (7) years of creditable service.

NOTE 4 – PENSION PLAN (continued)

For employees hired after January 1, 2007:

1. Age 55 with 30 years of service.
2. Age 62 with 10 years of service.
3. Age 67 with 7 years of service.

The monthly retirement allowance consists of an amount equal to three percent of the member's final average compensation multiplied by his/her years of creditable service. However, under certain conditions, as outlined in the statutes, the benefits are limited to specified amounts.

Survivor Benefits

Upon the death of any member with five or more years of creditable service who is not eligible for retirement, the plan provides for benefits for the surviving spouse and minor children, as outlined in the statutes. Any member who is eligible for normal retirement at time of death, the surviving spouse shall receive benefits, as outlined in the statutes.

A surviving spouse who is not eligible for Social Security survivorship or retirement benefits, and married not less than twelve months immediately preceding death of the member, shall be paid benefits beginning at age 50.

Deferred Retirement Option Plan.

Act 338 of 1990 established the Deferred Retirement Option Plan (DROP) for the Retirement System. DROP is an option for members who are eligible for normal retirement. In lieu of terminating employment and accepting a service retirement, members who are eligible to retire may elect to participate in DROP in which they are enrolled for three years and defer the receipt of benefits. During participation in the plan, employer contributions are payable but employee contributions cease. The monthly retirement benefits that would be payable, had the person elected to cease employment and receive a service retirement allowance, are paid into the DROP Fund.

Upon termination of employment prior to or at the end of the specified period of participation, a participant in the DROP may receive, at his option, a lump sum from the DROP account equal to the payments into the account, a true annuity based upon his account balance in that fund, or roll over the fund to an Individual Retirement Account.

Interest is accrued on the DROP benefits for the period between the end of DROP participation and the member's retirement date.

NOTE 4 – PENSION PLAN (continued)

For individuals who become eligible to participate in DROP on or after January 1, 2004, all amounts which remain credited to the individual's subaccount after termination in the Plan will be placed in liquid asset money market investments at the discretion of the board of trustees. These subaccounts may be credited with interest based on money market rates of return or, at the option of the System, the funds may be credited to self-directed subaccounts. The participant in the self-directed portion of this Plan must agree that the benefits payable to the participant are not the obligations of the state or PERS-A, and that any returns and other rights of the Plan are the sole liability and responsibility of the participant and the designated provider to which contributions have been made.

Disability Benefits.

Members shall be eligible to retire and receive a disability benefit if they were hired prior to January 1, 2007, and have at least five years of creditable service or if hired after January 1, 2007, have seven years of creditable service, and are not eligible for normal retirement and have been officially certified as disabled by the State Medical Disability Board. Upon retirement caused by disability, a member of Plan A shall be paid a disability benefit equal to the lesser of an amount equal to three percent of the member's final average compensation multiplied by his years of service, not to be less than fifteen years, or three percent multiplied by years of service assuming continued service to age sixty.

Cost of Living Increases.

The Board is authorized to provide a cost of living allowance for those retirees who retired prior to July 1973. The adjustment cannot exceed 2% of the retiree's original benefit for each full calendar year since retirement and may only be granted if sufficient funds are available from investment income in excess of normal requirements. In addition, the Board may provide an additional cost of living increase to all retirees and beneficiaries who are over age sixty-five equal to 2% of the member's benefit paid on October 1, 1977, (or the member's retirement date, if later). Also, the Board may provide a cost of living increase up to 2.5% for retirees 62 and older (RS 11:1937). Lastly, Act 270 of 2009 provided for further reduced actuarial payments to provide an annual 2.5% cost of living adjustment commencing at age 55.

Contributions

According to state statute, contributions for all employers are actuarially determined each year. For the year ended December 31, 2017, the actuarially determined contribution rate was 9.35% of member's compensation. However, the actual contribution rate for the fiscal year ending December 31, 2017 was 12.50%. Contributions to the Pension Plan from the Department were \$55,728 for the year ended December 31, 2017.

NOTE 4 – PENSION PLAN (continued)

According to state statute, the System also receives ¼ of 1% of ad valorem taxes collected within the respective parishes. The System also receives revenue sharing funds each year as appropriated by the Legislature. Tax monies and revenue sharing monies are apportioned between Plan A and Plan B in proportion to the member's compensation. These additional sources of income are used as additional employer contributions and are considered support from non-employer contributing entities.

Pension Liabilities, Deferred Outflows of Resources, and Deferred Inflows of Resources Relate to Pensions

At December 31, 2018, the Department reported a liability (asset) of (\$53,762) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability (asset) was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At December 31, 2017, the Department's proportion was 0.072431%, which was an increase of 0.001634% from its proportion measured as of December 31, 2016. For the year ended December 31, 2018, the Department recognized pension costs of \$67,130. The Department's proportionate share of non-employer contributions for the year ended December 31, 2018 was \$5,385.

At December 31, 2017, the Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 34,801
Change of assumptions	67,855	-
Net difference between projected and actual investment earnings on pension plan investments	72	634
Change in proportion and differences between the contributions	-	124,205
Department's contributions after measurement date	52,551	-
	<u>\$ 120,478</u>	<u>\$ 159,640</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31:

2018	\$7,848
2019	(8,343)
2020	(41,990)
2021	(49,227)

NOTE 4 – PENSION PLAN (continued)

Actuarial Assumptions

A summary of the actuarial methods and assumptions used in determining the total pension liability as of December 31, 2017, are as follows:

Valuation Date	December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	6.75% (Net of investment expense)
Expected Remaining Service Lives	4 years
Projected Salary Increases	5.25% (2.75% Merit/2.50% Inflation)
Cost of Living Adjustments	The present value of future retirement benefits is based on benefits currently being paid by the System and includes previously granted cost of living increases. The present values do not include provisions for potential future increase not yet authorized by the Board of Trustees.
Mortality	RP-2000 Employee Sex Distinct Table was selected for employees. RP-2000 Healthy Annuitant Sex Distinct Table was selected for healthy annuitants and beneficiaries. RP-2000 Disabled Lives Mortality Table was selected for disabled annuitants.
Inflation	2.5%

The mortality rate assumption used was set based upon an experience study performed on plan data for the period January 1, 2010 through December 31, 2014. The data was then assigned credibility weighting and combined with a standard table to produce current levels of mortality. This mortality was then projected forward to a period equivalent to the estimated duration of the System's liabilities. The RP-2000 Healthy Annuitant Sex Distinct Table (set forward two years for males and set forward one year for females) projected to 2031 using Scale AA was selected for annuitants and beneficiaries. For disabled annuitants, RP-2000 Disabled Lives Mortality Table set back 5 years for males and 3 years for females was selected. For active employees, RP-2000 Disabled Lives Mortality Table set back 4 years for males and 3 years for females was used.

The long-term expected rate of return on pension plan investments was determined using a triangulation method which integrated the Capital Asset Pricing Model, (CAPM) (top-down), a treasury yield curve approach (bottom-up) and an equity building-block model (bottom-up). Risk return and correlations are projected on a forward looking basis in equilibrium, in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These rates are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.00% and an adjustment for the effect of rebalancing/diversification. The resulting expected long-term rate of return is 7.62% for the year ended December 31, 2017.

NOTE 4 – PENSION PLAN (continued)

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Portfolio Real Rate of Return</u>
Fixed Income	35%	1.24%
Equity	52%	3.57%
Alternatives	11%	0.69%
Real Assets	2%	0.12%
Totals	<u>100%</u>	<u>5.62%</u>
Inflation		<u>2.0%</u>
Expected Arithmetic Nominal Return		<u>7.62%</u>

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers and non-employer contributing entities will be made at the actuarially determined contribution rates, which are calculated in accordance with relevant statutes and approved by the Board of Trustees and the Public Retirement Systems' Actuarial Committee. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability (asset) of the participating employers calculated using the discount rate of 6.75%, as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower 5.75% or one percentage point higher 7.75% than the current rate:

	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Department's Proportionate Share of Net Pension Liability (Asset)	\$265,064	(\$53,762)	(\$337,655)

NOTE 4 – PENSION PLAN (continued)

The Parochial Employees' Retirement System of Louisiana issued a stand-alone audit report on its financial statements for the year ended December 31, 2017. Access to the audit report can be found on the System's website: www.persla.org or on the Office of Louisiana Legislative Auditor's official website: www.lla.state.la.us.

NOTE 5 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Background. The Department provides healthcare insurance for their retired employees. Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* specifies the reporting requirements to be followed for local governments that provide healthcare insurance or other benefits to retired employees. The Department implemented these provisions for the year beginning, January 1, 2018. Assets are accumulated by the Department for the OPEB liability, however they are not in a trust and do not meet the criteria in GASB 75.

Plan Description. The St Mary Parish Sales and Use Tax Department administers a single-employer defined benefit healthcare plan (the Sales Tax Department OPEB Plan [OPEB Plan]) that provides healthcare insurance for their retired employees.

Benefits Provided. Benefit terms of the OPEB Plan provide payment of retirees' health insurance premiums or supplemental health insurance premiums for Medicare eligible retirees, as well as 60% of health insurance premiums or supplemental health insurance premiums for the spouses of living and deceased retirees. The Department and the St Mary Parish Council have the authority to authorize or amend all terms of the OPEB Plan.

Employees covered by benefit terms. At December 31, 2018, the following employees were covered by benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Inactive employees entitled to but not yet receiving benefit payments	-
Active employees	<u>8</u>
Total	<u>11</u>

NOTE 5- POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(continued)

Total OPEB Liability

Total OPEB Liability. The Department's total OPEB liability of \$1,227,560 as of December 31, 2018 was calculated based on the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred total plan members.

Assumptions and other inputs – The total OPEB liability in the December 31, 2018 alternative measurement method valuation was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	4.0%, including inflation
Discount rate	4.00% annually (Beginning of Year to Determine ADC)
	4.10%, annually (As of End of Year Measurement Date)
Healthcare cost trend rates	5.3% initially, increased to an ultimate rate of 5.6% after 5 years

Payroll Growth Rate – 4 percent, the payroll growth rate of the St. Mary Parish Council, of which the Department is a component unit.

Discount rate—The discount rate is based on the average of the Bond Buyers' 20 year General Obligation Municipal bond index as of December 31, 2018.

Healthcare cost trend rate—The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 5.3 percent initially, increased to an ultimate rate of 5.6 percent after 5 years, was used.

Retirement age for active employees—Based on the historical average retirement age for the covered group, active plan members were assumed to retire at the earlier of age 65, or after completing the required 33 years of service (the minimum years needed to obtain maximum pension benefits).

Marital Status—Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality—Life expectancies were based on mortality tables from the United States of America's Social Security Administration. The 2015 United States Life Tables for Males and for Females were used.

NOTE 5- POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(continued)

Turnover—Data maintained by the U.S. Office of Personnel Management regarding the most recent experience of the employee group covered by the Federal Employees Retirement System was used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing as expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Health insurance premiums—The current premiums paid for each member and their spouse was used as the basis for calculation of the present value of total benefits to be paid.

Changes in Total OPEB Liability

Service cost	\$ 78,772
Interest cost	55,807
Change of benefit terms	--
Difference between expected and actual experience	(32,531)
Changes in assumptions	(239,847)
Benefit payments	<u>(29,821)</u>
Net change in Total OPEB Liability	\$(167,620)
Beginning Total OPEB Liability	1,395,180
Ending Total OPEB Liability	<u>\$1,227,560</u>

Changes in assumptions reflect changes in: the turnover rates used from non-specific age based turnover data to turnover rates derived from the U.S. Office of Personnel Management; a decrease in healthcare cost trends from a range of 5.4 to 5.8 percent in 2017 to a range of 5.3 to 5.6 percent in 2018; and, an increase of discount rate from 4.00 percent in 2017 to 4.10 percent in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate – The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.10%) or 1 percentage point higher (5.10%) than the current discount rate:

	1.0% Decrease (3.1%)	Current Discount Rate (4.1%)	1.0% Increase (5.1%)
Total OPEB Liability	\$ 1,372,762	\$ 1,227,560	\$ 1,094,849

NOTE 5- POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(continued)

Sensitivity of the total OPEB liability to changes in healthcare cost trend rates – The following presents the total OPEB liability of the Department, as well as what the Department's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower (4.3% to 4.6%) or 1 percentage point higher (6.3% to 6.6%) than the current healthcare trend rates:

	1.0% Decrease (4.3% to 4.6%)	Current Trend Rate (6.3% to 6.6%)	1.0% Increase (6.3% to 6.6%)
Total OPEB Liability	\$ 1,045,298	\$ 1,227,560	\$ 1,450,122

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the Department recognized negative OPEB expense of \$167,620. At December 31, 2018, the Department reported deferred outflows of resources related to OPEB of \$30,283 from payment of OPEB as the benefits came due subsequent to the measurement date of January 1, 2018 but prior to the Department's fiscal year end. This amount will reduce OPEB liability in the following year.

Department's Funding Policy

It is the Department's policy to pay insurance premiums for retired employees in addition to set aside funds for the payment of current employees that will become due in the future. At December 31, 2018 the Department has \$1,085,265 set aside for this purpose; however, under the provisions of GASB 75, amounts set aside by an employer to fund an OPEB plan do not qualify as contributions or reduction of a OPEB benefit obligation unless they are paid to an insurance company or placed in an irrevocable trust. While payments made by the Department for future benefits are set aside in a separate account, they are not placed in an irrevocable trust and therefore do not meet the requirements of GASB 75.

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 2018 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.

NOTE 8 - TAX COLLECTIONS AND DISTRIBUTIONS

The following is a Schedule of Tax Collections, and Distributions by taxing authorities for 2018:

Receipts	
Sales tax and other collections	\$ 38,474,122
Interest on investments	<u>10,103</u>
Total	<u>\$ 38,484,225</u>
Disbursements	
Administrative Costs	\$ <u>1,173,592</u>
Transfer and allocations of sales taxes to:	
St. Mary Parish	
Law Enforcement	\$ 841,080
Sanitation Fund	2,523,850
Debt Service Fund	1,744,052
Sales Tax Wards 1, 2, 3, 4, 7 and 10	408,658
Wards 5 & 8 Sales Tax Fund	291,814
Recreation District No. 1	219,636
Wards 6 & 9 Sales Tax Fund	54,909
St. Mary Parish School Board	15,259,324
City of Morgan City	5,153,276
City of Franklin	2,542,929
City of Patterson	1,951,976
Town of Berwick	1,620,026
Town of Baldwin	776,392
St. Mary Parish Sheriff's Office	2,179,258
Franklin Economic Development District. 1	<u>13,915</u>
	<u>35,581,095</u>
Transfer of hotel/motel tax to:	
St. Mary Parish Tourist Commission	<u>465,609</u>
Transfer of Occupational License tax to:	
St. Mary Parish	433,474
City of Morgan City	482,309
City of Franklin	157,424
City of Patterson	61,990
Town of Berwick	92,330
Town of Baldwin	<u>36,402</u>
	<u>1,263,929</u>
Total	<u>\$ 38,484,225</u>

The taxes reflected are for sales and lodging stays that took place in the twelve months ending December 31, 2018. The related payments of sales taxes made to the taxing units were actually distributed from March 2018 through February 2019.

REQUIRED SUPPLEMENTAL INFORMATION

St. Mary Parish Sales and Use Tax Department

SCHEDULE OF THE DEPARTMENT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
 Parochial Employees Retirement System of Louisiana (Plan A)
 as of December 31, 2017 (The Plan Measurement Date)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Department's proportion of the net pension liability (asset)	0.072431%	0.074065%	0.071476%	0.069040%
Proportionate share of the net pension liability (asset)	\$ (53,762)	\$ 152,538	\$ 188,145	\$ 18,876
Covered employee payroll	\$ 445,821	\$ 439,244	\$ 407,905	\$ 404,647
Department's proportionate share of the net pension liability(asset) as a percentage of its covered employee payroll	-12.06%	34.73%	46.12%	4.66%
Plan fiduciary net position as a percentage of the total pension liability	101.98%	94.15%	92.23%	99.15%

This schedule is intended to show information for 10 years.
 Addition years will be displayed as they become available.

St. Mary Parish Sales and Use Tax Department

SCHEDULE OF THE DEPARTMENT'S CONTRIBUTIONS
 Parochial Employees Retirement System of Louisiana (Plan A)
 For the Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 52,551	\$ 55,728	\$ 57,102	\$ 59,146
Contributions in relation to the contractually required contribution	<u>52,551</u>	<u>55,728</u>	<u>57,102</u>	<u>75,029</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,883)</u>
Covered employee payroll	456,966	445,821	439,244	407,905
Contribution as a percentage of covered employee payroll	11.50%	12.50%	13.00%	18.41%

This schedule is intended to show information for 10 years. Addition years will be displayed as they become available.

ST. MARY PARISH SALES AND USE TAX DEPT.

Schedule of Changes in the Department's
Total OPEB Liability and Related Ratios
For the Year Ended December 31, 2018

	<u>2018</u>
Total OPEB liability	
Service Cost	\$ 78,772
Interest	55,807
Changes of Benefit Terms	-
Differences between expected and actual experience	(32,531)
Changes of assumptions or other inputs	(239,847)
Benefit payments	(29,821)
Net Change in total OPEB liability	<u>\$ (167,620)</u>
Total OPEB liability - beginning	<u>1,395,180</u>
Total OPEB liability - ending	<u><u>\$ 1,227,560</u></u>
Covered-employee payroll	\$ 495,751
Total OPEB liability as a percentage of covered employee payroll	247.6%

Notes to schedule:

No assets are accumulated in a trust that meets the criteria of GASBS No. 75, paragraph 4.

Changes of Assumptions:

Changes of assumptions and other inputs reflect the adoption of turnover rates derived from the U.S. Office of Personnel Management in 2018 and effects of changes in the discount rate and healthcare cost trend rates:

For the Year Ended December 31,	Healthcare Cost <u>Trend Rates</u>	Discount <u>Rate</u>
2017	5.4% to 5.8%	4.00%
2018	5.3% to 5.6%	4.10%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

GENERAL SUPPLEMENTARY INFORMATION

ST. MARY PARISH SALES AND USE TAX DEPT.

Schedule of Administrative Cost
For the Year Ended December 31, 2018

Salaries	\$ 495,751
Examination fees and costs	302,105
Group insurance	148,415
Commercial Insurance	6,332
Retirement contribution	52,551
Office supplies	9,384
Computer expense	21,642
Auto and travel expense	14,514
Postage	19,520
Rent	9,600
Telephone	11,040
Equipment rental and maintenance	4,862
Payroll taxes	7,083
Professional services	47,457
Dues and subscriptions	8,674
Office equipment	14,662
	<u>14,662</u>
	<u>\$ 1,173,592</u>

ST. MARY PARISH SALES AND USE TAX DEPT.
Schedule of Compensation, Benefits, and Reimbursements to
Agency Head, Political Subdivision Head, or Chief Executive Officer
For the Year Ended December 31, 2018

Director: Jeffery LaGrange

<u>Purpose</u>	<u>Amount</u>
Salary	\$ 102,675
Benefits-Insurance	25,071
Benefits-retirement	9,754
Cellphone allowance	600
Automobile allowance	900
Reimbursement-Travel	1,369
Reimbursement-Meals	320
Reimbursement-Hotel	1,327
Reimbursement-Other	4,686
Total	<u>\$ 146,702</u>

These amounts represent all compensation, benefits, and reimbursements for the year.

INTERNAL ACCOUNTING CONTROL OVER FINANCIAL REPORTING
AND COMPLIANCE AND OTHER MATTERS SECTION



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Mr. Jeff LaGrange, Director
St. Mary Parish Sales and
Use Tax Dept.
Morgan City, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statement of the St. Mary Parish Sales and Use Tax Dept. (the Department), as of December 31, 2018, and the related notes to the financial statements which comprises the Department's basic financial statement and have issued our report thereon dated May 23, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

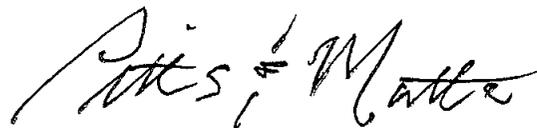
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

May 23, 2019
Morgan City, Louisiana

ST. MARY PARISH SALES AND USE TAX DEPT.
STATE OF LOUISIANA

Schedule of Findings
For the Year Ended December 31, 2018

A. SUMMARY OF AUDIT FINDINGS

1. The auditors' report expressed an unmodified opinion on the financial statement of the St. Mary Parish Sales and Use Tax Dept.
2. Report on Internal Control over Financial Reporting and Compliance and Other Matters

Internal Control over financial reporting

No findings are required to be reported for the year ended December 31, 2018.

Compliance

There were no material instances of noncompliance or other matters noted during the audit of the financial statements.

3. Federal Awards

This section is not applicable for the year ended December 31, 2018.

4. Management Letter

No letter was issued.

B. FINDINGS FINANCIAL STATEMENT AUDIT

There are no findings to be reported for the year ended December 31, 2018.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS

This section is not applicable for the year ended December 31, 2018.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY PARISH SALES AND USE TAX DEPT.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL
STATEMENTS

Internal Control and Compliance

There were no findings in the prior year.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

This section is not applicable.

ST. MARY PARISH SALES AND USE TAX DEPT.

STATE OF LOUISIANA

SCHEDULE OF PROCEDURES PERFORMED AND
ASSOCIATED FINDINGS BASED UPON THE
STATEWIDE AGREED-UPON PROCEDURES

FOR THE YEAR ENDED

December 31, 2018

WITH

AGREED UPON PROCEDURES REPORT

BY

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To Mr. Jeff LaGrange, Director
St. Mary Parish Sales and Use Tax Dept.
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated in the attached Schedule of Procedures Performed and Associated Findings Based Upon the Statewide Agreed-Upon Procedures (Schedule), which were agreed to by St. Mary Parish Sales and Use Tax Dept. (Department) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2018 through December 31, 2018. The Department's management is responsible for those C/C areas identified in the SAUPs presented in the attached Schedule. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the attached Schedule either for the purpose for which this report has been requested or for any other purpose.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report may be distributed by the LLA as a public document.

CERTIFIED PUBLIC ACCOUNTANTS

Morgan City, Louisiana
May 28, 2019

**ST. MARY PARISH SALES AND USE TAX DEPT.
 PARISH OF ST. MARY, STATE OF LOUISIANA
 Schedule of Procedures Performed and Associated Findings Based upon the
 Statewide Agreed-Upon Procedures
 For the Year Ended December 31, 2018**

Guide to Presentation Format

This report contains these items presented in this order:

- Statewide Agreed-Upon Procedures (AUPS) prescribed by the Louisiana Legislative Auditor (LLA),
- Procedures performed by the Independent Certified Public Accountant,
- Findings based upon the procedures performed, and
- Management's Comments relative to the findings, if applicable.

In order to facilitate understanding this report - the procedures and findings are presented in the following format:

<u>Order of Presentation</u>	<u>Presentation Format</u>
Area or function	Centered all CAPITALS IN BOLD TYPE
Statewide Agreed-Upon Procedures Prescribed (AUPS) by Louisiana Legislative Auditor (LLA)	Regular type highlighted with numbers or letters (if there are multiple parts)
Actual procedures performed by Independent Certified Public Accountant	Denoted as Procedure Performed: (in bold type) followed by procedure in regular type
Finding based upon procedure performed	Denoted as Findings: (in bold type) followed by findings in regular type
Management's response to findings	Denoted as Management's Response: (in bold type) followed by <i>managements response in italics</i>

The Department is not subject to all possible Louisiana Legislative Auditor - Statewide Agreed-Upon Procedures. The numbers of the procedures in this report coincide with the numbers assigned to the specified procedures on the Louisiana Legislative Auditor's website. Therefore, because of certain excluded procedures, the procedure numbers used in this report are not in consecutive order.

WRITTEN POLICIES AND PROCEDURES

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):

Budgeting

- a) Budgeting, including preparing, adopting, monitoring, and amending the budget

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for budgeting.

Findings: Found that the Department does not have written policies and procedures regarding budgeting.

Purchasing

- b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for purchasing.

Findings: Found that the Department does not have written policies and procedures regarding purchasing.

Disbursements

- c) Disbursements, including processing, reviewing, and approving

Procedure Performed: Obtained from management and read the written policies and procedures for disbursements.

Findings: Found the Department has written policies that include the specified functions listed above.

Receipts/Collections

- d) Receipts/Collections, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Procedure Performed: Obtained from management and read the written policies and procedures for receipts.

Findings: Found the Department has written policies that include the specified functions listed above, with the exceptions of those regarding management's actions to determine the completeness of collections.

Payroll/Personnel

- e) Payroll/Personnel, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

Procedure Performed: Obtained from management and inspected the Department's "Personnel Policies" and read the written policies and procedures for Payroll/Personnel.

Findings: Found the Department has written policies that include the specified functions listed above.

Contracting

- f) Contracting, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for contracts.

Findings: Found the Department does not have written policies and procedures regarding contracting.

Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)

- g) Credit Cards (and debit cards, fuel cards, P-Cards, if applicable), including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases)

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for credit cards, and they do not use credit cards, debit cards, fuel cards, or p-cards.

Findings: Found the Department does not have written policies and procedures regarding credit cards, and they do not use credit cards, debit cards, fuel cards, or p-cards.

WRITTEN POLICIES AND PROCEDURES (CONTINUED)

Travel and expense reimbursement

- h) Travel and expense reimbursement, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

Procedure Performed: Obtained from management and inspected the Department's "Personnel Policies" and read the written policies and procedures for travel and expense reimbursement.

Findings: Found the Department has written policies that includes the specified functions listed above, with the exceptions of those regarding dollar thresholds by category of expense.

Ethics

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.

Procedure Performed: Obtained from management and inspected the Department's "Personnel Policies" and read the written policies and procedures for ethics.

Findings: Found the Department has written policies that includes the specified functions listed above, with the exceptions of a system to monitor possible ethics violations, and a requirement that all employees, annually attest through signature verification that they have read the entity's ethics policy

Debt Service

- j) Debt Service, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Procedure Performed: Inquired of management and obtained management's written confirmation that they do not have written policies and procedures for debt service.

Findings: Found the Department has no debt and does not issue debt.

Found the Department does not have written policies and procedures regarding debt service.

Management's response:

The Department has policies and procedures in all the areas above, except for credit cards because we do not have credit cards.

However, the procedures are not in writing except for disbursements, receipts, payroll/personnel, travel and expense reimbursement, and ethics.

Due to the small size of the Department and our limited number of personnel, we do not believe it is cost effective to have written procedures in all areas.

BANK RECONCILIATIONS

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledger, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
 - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Procedures Performed: Obtained the listing of bank accounts from management, and received management's written representation that the list is complete. Selected 4 bank accounts out of a total of 4 accounts and requested bank reconciliations and bank statements for all accounts for the one month randomly selected. Obtained and inspected bank statements and bank reconciliations prepared for the month selected for all accounts selected.

Findings:

- a) Observed there is evidence that each bank reconciliation was prepared within 2 months of the related statement closing date.
- b) Observed there is no evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.
- c) Observed that management has documentation reflecting it has researched reconciling items outstanding for more than 12 months from the statement closing date.

Management' response:

In the future bank reconciliations will include evidence of review by an official of the St. Mary Parish Council.

**NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS,
TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES):**

8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Procedure Performed: We obtained a listing of locations that process payments from management and management's representation that the listing is complete.

Findings: Found the Department has one location that processes payments.

9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Procedure Performed: We obtained a listing of employees involved with non-payroll purchasing and payment functions and, inquired of these employees about their job duties.

Findings:

- a) Two employees are involved in initiating a purchase request and placing an order/making a purchase.
- b) Two employees are involved in processing and approving payments to vendors.
- c) The employees responsible for processing payments are not prohibited from adding/modifying vendor files. No other employees are responsible for periodically reviewing changes to vendor files.

NON-PAYROLL DISBURSEMENTS (EXCLUDING CARD PURCHASES/PAYMENTS, TRAVEL REIMBURSEMENTS, AND PETTY CASH PURCHASES) (CONTINUED):

d) The Director and Payroll Clerk, who are responsible for signing checks, do not mail the checks. Checks are mailed by the same employee who processes payments

10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

a) Observe that the disbursement matched the related original invoice/billing statement.

b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Procedure Performed: We obtained the Department's non-payroll disbursements transaction population (excluding cards and travel reimbursements) and management's representation that the population was complete. We randomly selected 5 disbursements from the listing and obtained and observed supporting documentation for each transaction.

Findings:

a) Found that disbursements matched the related original invoice.

b) Found that disbursement documentation included evidence that the Department is following its policies as it relates to the segregation of duties tested under #9 a) and b) above.

Found that Department does not have in place procedures related to #9 c) and d) above.

Management's response:

Checks will no longer be mailed by the same employee who processes payments.

**TRAVEL AND TRAVEL-RELATED EXPENSE REIMBURSEMENTS
(EXCLUDING CARD TRANSACTIONS)**

14. Obtain from management a listing of all travel and travel-related -expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related-expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well, as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, agree the reimbursement rate to those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov)
 - b) If reimbursed using actual cost, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
 - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedures
 - d) Observe that each reimbursement was reviewed and approved, in writing, by someone

Procedure Performed: Obtained a general ledger for Mileage/Travel account that included all travel and related expense reimbursements during the fiscal period. Obtained management's written representation that the general ledger is complete. Randomly selected 5 reimbursements, obtained the Mileage Expense Report for each selected reimbursement.

Findings: Travel and travel-related expenses included payments for meal per diem, hotel reimbursements based on actual cost, and per mile reimbursements to employees for use of their personal automobiles.

- a) All five reimbursements included mileage reimbursements at a rate equal to the Department's rate (which is equal to the GSA rate). Four reimbursements included payment of meal per diem at the Department's rates. The Department's per diem rates were less than both State of Louisiana rates and GSA rates.
- b) Two reimbursements included payments based on actual costs. These reimbursements were supported by original itemized receipts that identified precisely what was purchased.
- c) Observed that all five reimbursements were supported by documentation (Expense Breakdown) of the business purpose.
- d) Observed that two out of the five reimbursements were reviewed and approved in writing by a person not receiving reimbursement; and three were not.

Management's response:

We will ensure that all travel and expense reimbursements are reviewed and approved in writing by someone other than the person receiving reimbursement.

ETHICS

20. Using the 5 randomly selected employees/official from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.
- b) Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Procedure Performed: Procedure #16 under "Payroll and Personnel," was exempt due to no findings during year 1 AUPs. We obtained a list of all employees FYE 12/31/2018. From this list of 8 employees, we randomly selected 5. We observed that the documentation demonstrates each employee completed one hour of ethics training during the fiscal period. Obtained management's written confirmation that the Department does not have written policies regarding ethics.

Findings:

- a) Found that the ethics certificates demonstrate that each of the five employees in the sample completed one hour of ethics training during the fiscal period.
- b) Found that the Department does not have written evidence that the five employees read the Department's ethics policy during the fiscal year.

Management's response:

We will put our policies and procedures in this area in writing.