

*Terrebonne Parish Sales and Use Tax Department*

*Houma, Louisiana*

*For the year ended December 31, 2012*

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For the year ended December 31, 2012

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

To the Sales and Use Tax Advisory Board,  
Terrebonne Parish Sales and Use Tax Department,  
Houma, Louisiana.

We have audited the accompanying financial statements of the governmental activities, the General Fund and the Fiduciary Fund of the Terrebonne Parish Sales and Use Tax Department (the Department), State of Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements 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 statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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 statements.

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 statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, General Fund and Fiduciary Fund of Terrebonne Parish Sales and Used Tax Department as of December 31, 2012, and the respective changes in financial position and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Schedule of Funding Progress for the OPEB Plan on pages 4 through 9 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements 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 statements, and other knowledge we obtained during our audit of the basic financial statements. 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*

The information contained in Schedules 1 through 5 (the schedule of other services and charges-budget and actual, schedule of collections on behalf of other taxing authorities, schedule of cash receipts and disbursements Parish Sales Tax Fund, schedule of governmental fund expenditures and graph of governmental fund expenditures) for the year ended December 31, 2012 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.

We also have previously 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 governmental balance sheet and statement of fiduciary fund of Terrebonne Parish Sales and Used Tax Department as of December 31, 2011, 2010, 2009, and 2008, and the related statement of governmental fund revenues, expenditures and changes in fund balance for each of the four years in the period ended December 31, 2011 (none of which presented herein), and we expressed unqualified opinions on those financial statements. The information contained in Schedules 3 through 5 for the years ended December 31, 2011, 2010, 2009, and 2008 is the responsibility of management and was derived from and related directly to the accounting and other records used to prepare the financial statements as of and for the years ended December 31, 2011, 2010, 2009, and 2008. Such information for the years ended December 31, 2011, 2010, 2009, and 2008 in Schedules 3 through 5 has been subjected to auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other procedures in accordance with generally auditing procedures generally accepted in the United States of America. In our opinion, the information presented in Schedules 3 through 5 for the years ended December 31, 2011, 2010, 2009, and 2008 is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated March 19, 2013 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

The signature is handwritten in black ink and reads "Bourgeois Bennett, L.L.C." The "B" in "Bourgeois" and the "B" in "Bennett" are capitalized and stylized.

Certified Public Accountants.

Houma, Louisiana,  
March 19, 2013.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **Terrebonne Parish Sales & Use Tax Department**

The Management's Discussion and Analysis of the Terrebonne Parish Sales & Use Tax Department's (the Department) financial performance presents a narrative overview and analysis of the Department's financial activities for the year ended December 31, 2012. This document focuses on the current year's activities, resulting changes, and currently known facts. Please read this document in conjunction with the financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

The Department's liabilities exceeded its assets at the close of fiscal year 2012 by \$205,401 (net position (deficit)), which represents a 27.51% decline from the last fiscal year.

The Department is operated on a reimbursement basis with proceeds from the collection of Terrebonne Parish Sales Taxes. Differences between revenues and expenses result from the reimbursement of purchases of capital assets, depreciation of capital assets and changes in long-term obligations compensated absences payable and other postemployment benefits. For the year ended December 31, 2012, revenues decreased \$53,034 (or 4.53%) primarily due to decreases in reimbursements for expenses. Expenses decreased \$58,611 (or 4.80%) primarily due to decreases in other services and charges.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Department's financial statements. The Department's annual report consists of four parts: (1) management's discussion and analysis (this section) (2) financial statements (3) supplementary information and (4) various governmental compliance reports and schedules by certified public accountants and management.

The financial statements include two kinds of statements that present different views of the Department:

#### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Department's finances, in a manner similar to a private sector business. The statement of net position presents information on all of the Department's assets and liabilities, with the difference between the two reported as net position (deficit). Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Department is improving or deteriorating. The statement of activities presents information showing how the Department's net position changed during each fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of the related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. The governmental activities of the Department are collecting local sales and use taxes, hotel/motel taxes, issuing occupational licenses and local bingo permits.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Department maintains two types of funds, governmental and fiduciary fund types.

### ***Governmental Fund***

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Department maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund. The Department adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget. The governmental fund financial statements can be found in pages 10 though 14 of this report.

### ***Fiduciary Fund***

Fiduciary Funds are used to account for resources held for the benefit of parties outside the Department. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent assets of the Department. Therefore, these assets are not presented as part of the government-wide financial statements. The Statement of Fiduciary Fund can be found on page 15 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in Exhibit G of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The Statement of Net Position reported in page 9 presents information on all the Department's assets and liabilities, with the difference between the two reported as net position (deficit). As noted earlier, a deficit exists because the Department is not reimbursed for long-term obligations until those obligations are paid. As of December 31, 2012, liabilities exceeded assets by \$205,401. A portion of the Department's net position (deficit), \$19,103, reflect its investment in capital assets (e.g., office furniture, fixtures and equipment) less accumulated depreciation. Consequently, this portion of the net position is not available for future spending.

Other liabilities associated with the Department are accounts payable and accrued expenditures. Accounts payable and accrued expenditures include fees for contract auditors, payroll liabilities and other various expenses.

### **Condensed Statements of Net Position**

	<b>December 31,</b>		<b>Dollar Change</b>
	<b>2012</b>	<b>2011</b>	
Current and other assets	\$ 61,774	\$ 55,090	\$ 6,684
Capital assets	<u>19,103</u>	<u>17,471</u>	<u>1,632</u>
Total assets	<u>80,877</u>	<u>72,561</u>	<u>8,316</u>
Long-term liabilities outstanding	224,504	178,559	45,945
Other liabilities	<u>61,774</u>	<u>55,090</u>	<u>6,684</u>
Total liabilities	<u>286,278</u>	<u>233,649</u>	<u>52,629</u>
Net Position:			
Investment in capital assets	19,103	17,471	1,632
Unrestricted (deficit)	<u>(224,504)</u>	<u>(178,559)</u>	<u>(45,945)</u>
Total net position (deficit)	<u>\$ (205,401)</u>	<u>\$ (161,088)</u>	<u>\$ (44,313)</u>

### **Governmental Activities**

Governmental activities increased the Department's net position (deficit) by \$44,313. The primary cause for this is the unreimbursed increases in the long-term obligations of the OPEB Plan. Reimbursements for these costs occur in the period the costs are paid.

## Condensed Statement of Activities

	For the years ended		Dollar Change	Total Percent Change		
	December 31,					
	2012	2011				
<b>Revenues:</b>						
Charges for services	\$ 1,111,255	\$ 1,163,871	\$ (52,616)	-4.52%		
Licenses	6,200	6,600	(400)	-6.06%		
Miscellaneous - other	202	220	(18)	-8.18%		
<b>Total revenues</b>	<b><u>1,117,657</u></b>	<b><u>1,170,691</u></b>	<b><u>(53,034)</u></b>	<b><u>-4.53%</u></b>		
<b>Expenses:</b>						
General government	<u>1,161,970</u>	<u>1,220,581</u>	<u>(58,611)</u>	<u>-4.80%</u>		
Decrease in net position	(44,313)	(49,890)	5,577	-11.18%		
<b>Net position (deficit):</b>						
Beginning of year	<u>(161,088)</u>	<u>(111,198)</u>	<u>(49,890)</u>	<u>44.87%</u>		
<b>End of year</b>	<b><u>\$ (205,401)</u></b>	<b><u>\$ (161,088)</u></b>	<b><u>\$ (44,313)</u></b>	<b><u>27.51%</u></b>		

The Department is an expenditure driven entity consequently the decrease in revenue resulted from a decrease in reimbursed expenses. The Department's revenues represent transfers of sales and use tax proceeds from its Agency Fund to pay operating expenses of the Department.

On Exhibit C, the Department's expenses fall into five (5) categories: personal services; supplies and materials; other services and charges; repairs and maintenance; and depreciation. Of the five categories, personal services make up the largest of expenses at approximately fifty-two percent (54.87%). Personal services, which includes salaries and related benefits, increased by \$3,756 in comparison with 2011. The next highest expense category is other services and charges, this category, which includes such expenses as contract auditing fees, legal fees, insurance, office machine rentals, software technology services, office rent, telephone, and miscellaneous expenses, is responsible for \$475,076 or approximately forty percent (40.89%) of total expenses for the year ended December 31, 2012. Other services and charges decreased \$53,577 during the year ended December 31, 2012 largely due to decreases in contract audit fees. The remaining expenses include supplies and materials, repairs and maintenance and depreciation. These expenses accounted for approximately four percent (4.25%) of total expenses in the year ended December 31, 2012.

### **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the Department uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

## **Governmental Funds**

The focus of the Department's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Department's financing requirements. The General Fund is the chief operating fund of the Department. It is used to account for all financial resources except those that are required to be accounted for in another fund.

### **General Fund Budgetary Highlights**

The Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual for the General Fund (Exhibit E) displays the original budget, final budget and actual amounts in columns with a variance column showing the favorable or (unfavorable) difference of the actual and the final budget. The budget was amended once during the year.

A favorable expenditure variance of \$228,428 was primarily due to less personal service expenses and other services and charges than planned. Since the Department is an expenditure driven entity with expenditures fully reimbursed, revenues report an unfavorable variance equal to the favorable variance of expenditures.

## **CAPITAL ASSETS**

### **Capital Assets**

The Department's investment in capital assets for its governmental activities as of December 31, 2012, amounts to \$19,103 (net of accumulated depreciation). This investment in capital assets includes office furniture, fixtures and equipment (see table below).

	<u>2012</u>	<u>2011</u>
Office furniture, fixtures and equipment	\$ 143,575	\$ 135,771
Less accumulated depreciation	<u>124,472</u>	<u>118,300</u>
Total capital assets, net	<u>\$ 19,103</u>	<u>\$ 17,471</u>

Additional information on the Department's capital assets can be found in the Note 3, Exhibit G of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The Department considered the following factors and indicators when setting next year's budget. These factors and indicators include:

- Office rent has been increased since the current lease expired on December 31, 2012.
- Printing has been decreased due to fewer forms printed since a larger number of taxpayers use electronic filing and computer generated forms.
- Capital expenses include \$11,000 to purchase a mailing machine, which will fold and insert forms into envelopes.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Department's finances for all those with an interest in the Department's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Christa M. Lagarde, Director, Terrebonne Parish Sales Tax Department, P.O. Box 670, Houma, LA 70361.

**STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUND BALANCE SHEET**

**Terrebonne Parish Sales and Use Tax Department**

December 31, 2012

	General Fund	Adjustments (Exhibit B)	Statement of Net Assets
<b>Assets</b>			
Cash	\$ 61,774		\$ 61,774
Capital assets:			
Depreciable, net of accumulated depreciation	- <u>      </u>	\$ 19,103	<u>19,103</u>
Total assets	<u>      </u> <u>61,774</u>	<u>      </u> <u>19,103</u>	<u>      </u> <u>80,877</u>
<b>Liabilities</b>			
Accounts payables and accrued expenditures	\$ 53,909	- <u>      </u>	53,909
Due to Terrebonne Parish			
Consolidated Government	7,865	- <u>      </u>	7,865
Long-term liabilities:			
Due in more than one year	- <u>      </u>	224,504	<u>224,504</u>
Total liabilities	61,774	<u>      </u> <u>224,504</u>	<u>      </u> <u>286,278</u>
<b>Fund Balances/Net Assets</b>			
Fund balance - unassigned	- <u>      </u>		
Total liabilities and fund balances	<u>      </u> <u>61,774</u>		
Net position:			
Invested in capital assets	19,103		19,103
Unrestricted (deficit)	(224,504)		<u>(224,504)</u>
Total net position (deficit)	<u>      </u> <u>\$ (205,401)</u>		<u>      </u> <u>\$ (205,401)</u>

See notes to financial statements.

**RECONCILIATION OF THE GOVERNMENTAL FUND**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**

## Terrebonne Parish Sales and Use Tax Department

December 31, 2012

<b>Fund Balances - Governmental Fund</b>		\$
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Governmental capital assets	\$ 143,575	
Less accumulated depreciation	<u>(124,472)</u>	19,103
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental fund.		
Other postemployment benefit obligation	\$ (186,923)	
Compensated absences payable	<u>(37,581)</u>	(224,504)
<b>Net Position (Deficit) of Governmental Activities</b>		
	\$ (205,401)	

See notes to financial statements.

**STATEMENT OF ACTIVITIES AND STATEMENT OF  
GOVERNMENTAL FUND REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

	General Fund	Adjustments (Exhibit D)	Statement of Activities
<b>Revenues</b>			
Charges for services	\$ 1,111,255		\$ 1,111,255
Licenses	6,200		6,200
Miscellaneous - other	202		202
 Total revenues	 1,117,657		 1,117,657
<b>Expenditures/Expenses</b>			
Current:			
General government:			
Personal services	591,592	\$ 45,945	637,537
Supplies and materials	36,230	-	36,230
Other services and charges	475,076	-	475,076
Repairs and maintenance	6,955	-	6,955
Depreciation	-	6,172	6,172
 Total general government	 1,109,853	 52,117	 1,161,970
Capital outlay	7,804	(7,804)	-
 Total expenditures/expenses	 1,117,657	 44,313	 1,161,970
<b>Excess of Revenues Over Expenditures</b>			
 Change in Net Position	 -	 (44,313)	 (44,313)
<b>Fund Balance/Net Position (Deficit)</b>			
Beginning of year	-	(161,088)	(161,088)
End of year	\$ -	\$ (205,401)	\$ (205,401)

See notes to financial statements.

**RECONCILIATION OF THE STATEMENT OF GOVERNMENTAL  
FUND REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE TO THE STATEMENT OF ACTIVITIES**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

<b>Net Change in Fund Balance - Governmental Fund</b>	\$ -
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Amounts reported for governmental activities in  
the statement of activities are different because:

Governmental funds report capital outlays as  
expenditures. However, in the statement of  
activities the cost of those assets is allocated  
over their estimated useful lives and reported  
as depreciation expense.

Capital outlay	\$ 7,804
Depreciation expense	<u>(6,172)</u>
	1,632

Some expenses reported in the statement of activities  
do not require the use of current financial resources  
and, therefore, are not reported as expenditures in  
governmental fund.

Increase in other postemployment benefits	\$ (47,406)
Decrease in compensated absences payable	<u>1,461</u>
	<u>(45,945)</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$ (44,313)</b>
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See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GENERAL FUND**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 1,338,735	\$ 1,338,735	\$ 1,111,255	\$ (227,480)
Licenses	6,600	6,600	6,200	(400)
Miscellaneous - other	750	750	202	(548)
Total revenues	<u>1,346,085</u>	<u>1,346,085</u>	<u>1,117,657</u>	<u>(228,428)</u>
<b>Expenditures</b>				
Current:				
General government:				
Personal services	666,085	666,085	591,592	74,493
Supplies and materials	49,600	48,100	36,230	11,870
Other services and charges	604,000	605,500	475,076	130,424
Repairs and maintenance	8,900	8,900	6,955	1,945
Capital outlay	17,500	17,500	7,804	9,696
Total expenditures	<u>1,346,085</u>	<u>1,346,085</u>	<u>1,117,657</u>	<u>228,428</u>
<b>Excess of Revenues Over Expenditures</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements.

**STATEMENT OF FIDUCIARY FUND****Terrebonne Parish Sales and Use Tax Department**

December 31, 2012

	Agency Fund
<b>Assets</b>	
Cash	\$ 9,143,897
Taxes receivable	<u>11,213,104</u>
 Total assets	 <u>\$ 20,357,001</u>
<b>Liabilities</b>	
Accounts payables and accrued expenditures	\$ 4,312
Taxes paid under protest and interest	399,188
Due to other governmental units:	
Terrebonne Parish School Board	8,953,813
Terrebonne Parish Consolidated Government	6,548,524
Terrebonne Parish Consolidated Government - Library	1,074,458
Terrebonne Parish Consolidated Government - Levee District	1,074,458
Terrebonne Parish Sheriff	2,148,915
Houma Area Convention & Visitors Bureau	<u>153,333</u>
 Total liabilities	 <u>\$ 20,357,001</u>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**Terrebonne Parish Sales and Use Tax Department**

December 31, 2012

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Terrebonne Parish Sales and Use Tax Department was created October 14, 1964, in compliance with Act 500 of 1964, of the State of Louisiana. The Sales and Use Tax Department administers the collection and distribution of the approved 4.50% sales tax, hotel/motel tax, occupational licenses and bingo permits.

Tax collections, after deducting operating expenses, are distributed in the month following receipt. The first levy of 1% made in 1964 is divided between the Terrebonne Parish School Board, which receives 33%, and the Terrebonne Parish Consolidated Government, which receives 67% (split evenly between the former Terrebonne Parish Police Jury and City of Houma). There were two levies made for a total 1% in 1976 which the Terrebonne Parish School Board receives 75%, and the Terrebonne Parish Consolidated Government receives 25%. The 1/4% levy effective January 1, 1987 is remitted to the Terrebonne Parish Law Enforcement District. The two 1/4% levies effective January 1, 1993 are remitted to the Terrebonne Parish Consolidated Government with 1/4% dedicated to Drainage and 1/4% dedicated to Roads and Bridges. The 1% levy effective July 1, 1996 is remitted to the Terrebonne Parish School Board. The 1/4% levy effective October 1, 1997 is remitted to the Terrebonne Parish Law Enforcement District. The 1/4% levy effective July 1, 1998 is remitted to the Terrebonne Parish Consolidated Government which is dedicated to the Library System. The 1/4% levy effective July 1, 2002 is remitted to the Terrebonne Parish Consolidated Government, which is dedicated to be used as matching funds for the Terrebonne Levee and Conservation District's Morganza-to-the-Gulf Project. The Hotel/ Motel tax of 4% is remitted solely to the Houma Area Convention and Visitors Bureau.

The accounting policies of the Terrebonne Parish Sales and Use Tax Department (the Department) conform to accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**a) Reporting Entity**

The Department is a component unit of the Terrebonne Parish Consolidated Government (the Parish) and as such, these financial statements will be included in the comprehensive annual financial report (CAFR) of the Parish for the year ended December 31, 2012.

GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14* established the criterion for determining which component units should be considered part of the Department for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
2. Whether the governing authority appoints a majority of the board members of the potential component unit.
3. Fiscal interdependency between the Department and the potential component unit.
4. Imposition of will by the Department on the potential component unit.
5. Financial benefit/burden relationship between the Department and the potential component unit.

The Department has reviewed all of its activities and determined that there are no potential component units which should be included in its financial statements.

**b) Basis of Presentation**

The Department's financial statements consist of the government-wide statements on all of the non-fiduciary activities of the Department and the governmental fund financial statements.

**Government-wide Financial Statements:**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities for all activities of the Department. The government-wide presentation focuses primarily on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Governmental activities of the Department generally are financed through intergovernmental revenues reported as charges for services.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Basis of Presentation (continued)**

Fund Financial Statements:

The fund financial statements are very similar to the traditional government fund statements as presented by governments prior to the issuance of Statement No. 34. The daily accounts and operations of the Department continue to be organized on the basis of a fund and accounts groups, each of which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Government resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds of the Department are grouped, into generic fund types and two broad categories as follows:

Governmental activities presented as governmental funds in the fund financial statements:

**General Fund** - The General Fund is the general operating fund of the Department. It is used to account for all financial resources except those that are required to be accounted for in another fund. The General Fund is always a major fund.

Fiduciary Fund:

**Agency Fund** - This fund is used to account for assets that the Department holds for others in an agency capacity. Since by definition these assets are being held for the benefit of others and cannot be used to address activities or obligations of the Department, this fund is not incorporated into the governmental-wide statements.

**c) Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Measurement Focus and Basis of Accounting (continued)**

**Fund Financial Statements:**

All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other uses) in net current assets. Governmental funds are maintained on the modified accrual basis of accounting.

Governmental fund revenues resulting from exchange transactions are recognized in the fiscal year in which the exchange takes place and meets the government's availability criteria (susceptible to accrual). Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose, the Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Charges for services of collection and distribution of sales taxes are considered "measurable" when the related sales taxes are in the hands of the merchants and are recognized as revenue at that time. Licenses and miscellaneous revenues are recorded as revenues when received in cash by the Department because they are generally not measurable until actually received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. An exception to this general rule is accumulated unpaid vacation and sick pay which is recognized when paid. Allocations of cost such as depreciation are not recognized in the governmental funds.

Agency Funds are unlike all other types of funds, reporting only assets and liabilities. Therefore agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

**d) Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) Operating Budgetary Data**

The Department establishes the budgetary data reflected in the financial statements as follows:

The Director submits to the members of the Sales and Use Tax Advisory Board a proposed operating budget for the year commencing the following January 1. The public hearings and advertisements, which are required by state law, are conducted prior to approval by the Advisory Board. The budget is then submitted to the Parish Council. All actions necessary to adopt and otherwise finalize and implement the budget for an ensuing year are taken prior to the end of the year in progress. Any amendment involving the transfer of monies from one department to another or from one program or function to another or any other increases in expenditures exceeding amounts estimated must be approved by the Advisory Board. The Department amended its budget once during the year. All budgeted amounts which are not expended, or obligated through contracts, lapse at year end.

The budget for the General Fund is adopted on a basis materially consistent with accounting principles generally accepted in the United States of America.

The General Fund budget presentation is included in the financial statements.

**f) Accounts Receivable**

The financial statements of the Department contain no allowance for uncollectible accounts. Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the funds.

**g) Capital Assets**

The accounting treatment over property, plant and equipment (capital assets) depends on whether the assets are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets purchased or acquired with an original cost of \$500 or more are valued at historical cost or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Capital Assets (continued)**

Depreciation of all exhaustible capital assets is recorded as an expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The estimated useful life of assets (furniture and fixtures) is 5-20 years.

Fund Financial Statements:

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

**h) Non-Current Liabilities**

The accounting treatment of non-current liabilities depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Financial Statements:

All non-current liabilities to be repaid from governmental resources are reported as liabilities in the government-wide statements. Non-current liabilities consist of accrued compensated absences (vacation and sick leave) and obligations for other postemployment benefits (group health insurance).

Fund Financial Statements:

Non-current liabilities for governmental funds are not reported as liabilities in the fund financial statements.

**i) Vacation and Sick Leave**

Employees of the Department can earn twelve or seventeen days per year vacation leave, depending on their length of employment.

All employees are required to take vacation within one year of being earned. Any unused vacation remaining on the employee's anniversary date will be transferred to sick leave. In the event the employee is terminated or resigns, all vacation leave not transferred to sick leave will be paid to them.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**i) Vacation and Sick Leave (continued)**

Employees of the Department earn seven days of sick leave per year. Upon official retirement from the Parochial Retirement System, the retiring employee will be allowed to receive half of whatever accumulated sick leave time has accrued, up to a maximum of 30 days, by leaving work early and remaining on the payroll until the 30 days are exhausted.

The liability for vacation and sick leave is recorded as a non-current liability in the government-wide statements. In the fund financial statements, governmental funds report only the vacation and sick leave liability payable from expendable available financial resources, accordingly no significant compensated absences liability is recorded at December 31, 2012.

**j) Fund Equity**

Government-wide Statements:

Equity is classified as net position and may be displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. At December 31, 2012, the Department did not report any borrowings.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “invested in capital assets.”

When both restricted and unrestricted resources are available for use, it is the Department's policy to use restricted resources first, then unrestricted resources as they are needed. As of December 31, 2012 and for the year then ended, the Department did not have or receive restricted net position.

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**j) Fund Equity (continued)**

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted – Amounts for which constraints have been placed on the use by externally imposed donors, grantors, creditors, or government laws and regulations, or imposed by law through constitutional provisions or enabling legislation.
- c. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Department's Advisory Board.
- d. Assigned – Amounts that are constrained by the Association's intent to be used for a specific purpose but do not meet the criteria for restricted or committed.
- e. Unassigned – All other spendable amounts.

For the classification of governmental fund balances, the Department considers an expenditure to be made from the most restrictive fund balance first when more than one classification is available.

**Note 2 - DEPOSITS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States or any other federally insured investments, certificates of deposit of any bank domiciled or having a branch office in the state of Louisiana, guaranteed investment contracts and investment grade (A-1/P-1) commercial paper or domestic corporations.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

**Note 2 - DEPOSITS (Continued)**

The year end balances of deposits are as follows:

	Bank Balance	Reported Amount
Cash	<u>\$ 9,240,459</u>	<u>\$ 9,205,671</u>

Custodial credit risk is the risk that in the event of a bank failure, the Department's deposits may not be returned to it. The Department has a written policy for custodial credit risk, which reflects state law. As of December 31, 2012, \$8,941,357 of the Department's bank balance of \$9,240,459 was exposed to custodial credit risk. These deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the Department's name.

At December 31, 2012, cash in excess of the FDIC insurance was collateralized by securities held by an unaffiliated bank for the account of the Department. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities subject to custodial credit risk. Even though the deposits are considered subject to custodial credit risk under the provisions of GASB Statement No. 40, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

A reconciliation of deposits as shown on the Statement of Net Position and Governmental Fund Balance Sheet is as follows:

Book balance	\$ 9,205,671
Less cash reported in the Statement of Fiduciary Fund	<u>(9,143,897)</u>
Cash - Statement of Net Position and Governmental Fund Balance Sheet	<u>\$ 61,774</u>

**Note 3 - CHANGES IN CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Balance			Balance
	January 1, 2012			December 31, 2012
	<u>Additions</u>		<u>Deletions</u>	
Capital assets being depreciated:				
Office furniture, fixtures and equipment	\$ 135,771	\$ 7,804	\$ -	\$ 143,575
Less accumulated depreciation for:				
Office furniture, fixtures and equipment	<u>(118,300)</u>	<u>(6,172)</u>	<u>-</u>	<u>(124,472)</u>
Total capital assets, net	<u>\$ 17,471</u>	<u>\$ 1,632</u>	<u>\$ -</u>	<u>\$ 19,103</u>

**Note 4 - ACCOUNTS PAYABLE AND ACCRUED EXPENDITURES**

Accounts payable and accrued expenditures at December 31, 2012 consisted of the following:

	General Fund	Agency Fund	Total
Vendors	\$ 33,059	\$ 4,312	\$ 37,371
Salaries and benefits	<u>20,850</u>	<u>-</u>	<u>20,850</u>
Totals	<u>\$ 53,909</u>	<u>\$ 4,312</u>	<u>\$ 58,221</u>

**Note 5 - NON-CURRENT LIABILITIES**

Non-current liabilities consist of accumulated unpaid vacation and sick leave. The following is a summary of changes in the non-current liabilities of the Department for the year ended December 31, 2012:

	Payable January 1, 2012	Increase/ Earned	Decrease/ Used	Payable December 31, 2012
Accumulated unpaid annual leave	\$ 39,042	\$ 43,543	\$ 45,004	\$ 37,581
Other postemployment benefits	<u>139,517</u>	<u>49,252</u>	<u>1,846</u>	<u>186,923</u>
Totals	<u>\$ 178,559</u>	<u>\$ 92,795</u>	<u>\$ 46,850</u>	<u>\$ 224,504</u>

**Note 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS**

**Plan Description**

The Department administers a single employer defined benefit healthcare plan (the Plan). The Plan provides for the payment of medical, dental and life insurance premiums for eligible employees, retirees and their dependents as approved by the Terrebonne Parish Council. The Department funds the entire premium for all benefits on all employees. For employees retiring before January 1, 2005 the Department funded the premiums for employees retiring with at least ten years of service upon retiring from the formal retirement systems and will participate in the cost at the applicable single rates.

Department employees retiring with at least ten years of permanent full-time creditable service with the Department shall be eligible to participate in the Plan approved by the Parish Council under the following vesting schedule as adopted for retirements on or after January 1, 2005: 11 to 15 years of service, 2.75% per year; 16 to 20 years of service, 41.25% plus 3.75% per year of service between 16 and 20; 21 years or more of service, 60% plus 5% per year of service over 20, limited to 85% of the premium. A retired employee may provide dependent hospitalization coverage at applicable dependent rates. To be eligible for coverage after retirement, retired employees must be eligible for retirement under the Parochial Employees' Retirement System, see Note 7. The Department does not issue a publicly available financial report on the Plan.

**Funding Policy**

The Department fully funds required premiums based on pay-as-you-go financing requirements. For fiscal year 2012, the Department paid \$27,351 for the retirees' current year premiums.

**Annual OPEB Cost and Net OPEB Obligation**

In fiscal year 2011, the Department recognized a net other postemployment benefit (OPEB) obligation for covered postemployment healthcare benefits in accordance with the provisions of GASB Statement No. 45, *Accounting for Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45). GASB 45 was implemented prospectively with zero net obligation at transition. The Department's annual OPEB cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The table on the following page shows the components of the Department's annual OPEB cost for the transition year, the premiums actually paid and the Department's net OPEB obligation.

**Note 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

Annual required contributions (ARC)	\$ 44,932
Interest on net OPEB obligation	4,322
Annual OPEB cost (expense)	<u>49,254</u>
Contributions made	<u>(1,848)</u>
Increase in net obligation	47,406
Balance - beginning of the year	<u>139,517</u>
Balance - end of the year	<u>\$ 186,923</u>

The Department's annual OPEB cost, the percentage of annual OPEB premiums paid, and the net OPEB obligation as of December 31, 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2010	\$ 51,671	2.40%	96,019
12/31/2011	\$ 45,344	4.10%	139,517
12/31/2012	\$ 49,254	3.75%	186,293

**Funded Status and Funding Progress**

As of January 1, 2010, the most recent actuarial valuation date, the unfunded actuarial accrued liability (UAAL) was \$903,278. Covered payroll for eligible employees was \$329,935 and the total UAAL represents 273.8 percent of covered payroll.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Note 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)**

**Actuarial Methods and Assumptions**

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and eligible employees and retirees) and include the types of benefits provided at the time of each valuation and on the historical pattern of sharing benefit costs between the employer and eligible employees and retirees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets.

In the January 1, 2010, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (discount rate), a 3.0 percent expected increase in payroll and annual medical cost trend rate of 9.5 percent initially, reduced by decrements to an ultimate rate of 5.5 percent after nine years. The annual dental cost trend was initially 5.5 percent, reduced by decrements to an ultimate rate of 3.5 percent after nine years. Zero trend were assumed for valuing life insurance. Other assumptions include (1) expenses per participant per month are expected to increase with inflation at 3 percent per annum, (2) 65 percent of employees will choose to continue basic life insurance benefits, (3) family coverage includes a spouse and no children, and (4) male spouses are three years older than females. The UAAL is being amortized over an open 30 year period using the level percent of payroll method with an assumption that payroll increases by 3 percent per year. The remaining amortization period at January 1, 2010 was 27 years.

**Note 7 - DEFINED BENEFIT PENSION PLAN**

**Plan Description** - The Department contributes to Plan B of the Parochial Employees' Retirement System of Louisiana (the System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS), which is controlled and administered by a separate Board of Trustees. The System provides retirement, deferred and disability benefits, survivor's benefits and cost of living adjustments to plan members and beneficiaries. Act 205 of the 1952 Louisiana Legislative Session established the plan.

The system is governed by Louisiana Revised Statutes 11:1901 through 11:2015, specifically, and other general laws of the State of Louisiana. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to Parochial Employees' Retirement System of Louisiana, P.O. Box 14619, Baton Rouge, Louisiana 70898-4619.

**Note 7 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Funding Policy** – Plan members are required to contribute 3% of their annual covered salary and the Department is required to contribute at an actuarially determined rate. The Department's current rate is 10% of annual payroll. In addition, the System also receives a percentage of tax revenues from various taxing bodies. The contribution requirements of plan members and the Department are established and may be amended by state statute. The Department's contributions to the System for the years ending December 31, 2012, 2011, and 2010 were \$36,070, \$35,975, and \$34,861, respectively, equal to the required contributions for each year.

**Note 8 - COMPENSATION OF ADVISORY BOARD**

The Department did not pay per diem to any of its Board Members in 2012.

**Note 9 - RELATED PARTY RENTS AND FEES**

The building housing the Department's office space is owned by the Parish. The lease term is January 1, 2010 to December 31, 2012.

Rental expenditures incurred for the office space with the Parish amounted to \$34,079 during the year ended December 31, 2012. Also, the Department incurred data processing fees with the Parish in the amount of \$23,308 for the year ended December 31, 2012.

**Note 10 - RISK MANAGEMENT**

The Department is exposed to various risks of loss related to workers compensation; torts; theft of, damage to and destruction of assets; errors and omissions; natural disasters; and group health benefits for which the Department carries commercial insurance and also participates in the Parish's risk management program for general liability, workers' compensation and group insurance. No settlements were made during the year that exceeded the Department's insurance coverage. The Department pays monthly premiums to the Parish for general liability based on various factors such as its operations and maintenance budget, exposure and claims experience. The premiums for workers' compensation are based on a fixed percentage of payroll. The premiums for group insurance are based on a fixed rate per employee. The Parish handles all claims filed against the Department for which it has insurance coverage under the Parish.

**Note 10 - RISK MANAGEMENT (Continued)**

The Department could have additional exposure for claims in excess of the Parish's insurance contracts as described below:

<u>Policy</u>	<u>Coverage Limits</u>
General Liability	\$6,250,000
Workers' Compensation	Statutory

The Parish is self-insured for the first \$150,000 of each claim related to group health insurance. The aggregate deductible for all group claims relating to group insurance for 2010 was \$18,469,085. Insurance contracts cover the excess liability, up to \$1,000,000 on individual claims. Each covered employee is subject to a lifetime maximum claims limit of \$1,000,000. Coverage for group health claim liabilities are to be funded first by assets of the Parish's group health internal service fund, \$5,119,571 at December 31, 2011, then secondly by the Department or the employee for individual claims in excess of \$1,000,000. Coverage for general liability and workers' compensation claim liabilities are to be funded first by assets of the Parish's risk management internal service fund, \$1,640,995 at December 31, 2011, then secondly by the Department. At December 31, 2011, the Department had no claims in excess of the above coverage limits. Total premiums paid to the Parish for insurance coverage during the year ended December 31, 2012 totaled \$182,543.

**Note 11 - COMMITMENTS AND CONTINGENCIES**

Presently, three taxpayers have paid taxes in protest with the aggregate of taxes and interest paid under protest amounting to \$399,188, which has been recognized as a liability in the financial statements of the Fiduciary Fund at December 31, 2012.

**Note 12 - LEASE COMMITMENTS**

On February 10, 2011 the Department entered into a three year operating rental agreement for office equipment. The lease terms provide for monthly rental payments of \$264 during the lease period. Rental expenses for the operating lease for the year ended December 31, 2012 totaled \$3,168.

**Note 12 - LEASE COMMITMENTS (Continued)**

Future minimum lease payments under the outstanding lease at December 31, 2012 are as follows:

	<u>Year ending December 31</u>	<u>Amount</u>
2013		\$ 3,168
2014		528
Total		<u>\$ 3,696</u>

**Note 13 - SUBSEQUENT EVENTS**

Management evaluates events occurring subsequent to the date of financial statements in determining the accounting for and disclosure of transactions and events that effect the financial statements. Subsequent events have been evaluated through March 19, 2013 which is the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FUNDING PROGRESS FOR THE OPEB PLAN****Terrebonne Parish Sales and Use Tax Department**

December 31, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll ('c)	Percentage of Covered Payroll ((b-a)/c)
1/1/2007	-	\$ 944,061	\$ 944,061	0.00%	\$ 308,381	306.1%
1/1/2008	-	403,861	403,861	0.00%	283,879	142.3%
1/1/2010	-	903,278	903,278	0.00%	329,935	273.8%

**SUPPLEMENTARY INFORMATION SECTION**

## **INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

To the Sales and Use Tax Advisory Board,  
Terrebonne Parish Sales and Use Tax Department,  
Houma, Louisiana.

Our report on our audit of the financial statements of Terrebonne Parish Sales and Use Tax Department (the Department) for the year ended December 31, 2012 dated March 19, 2013, appears on pages 1 and 2, which contains an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Department's basic financial statements as a whole. The information contained in Schedules 1 through 5 (the schedule of other services and charges-budget and actual, schedule of collections on behalf of other taxing authorities, schedule of cash receipts and disbursements Parish Sales Tax Fund, schedule of governmental fund expenditures and graph of governmental fund expenditures) for the year ended December 31, 2012 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 financial statements as a whole.

We also have previously 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 governmental balance sheets and statement of fiduciary fund of Terrebonne Parish Sales and Use Tax Department as of December 31, 2011, 2010, 2009, and 2008, and the related statements of governmental fund revenues, expenditures and changes in fund balance for each of the four years in the period ended December 31, 2010 (none of which is presented herein), and we expressed unqualified opinions on those financial statements. The information contained in Schedules 3 through 5 for the years ended December 31, 2011, 2010, 2009, and 2008 is also presented for

additional analysis and not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the accounting and other records used to prepare the financial statements as of and for the years ended December 31, 2011, 2010, 2009, and 2008. The information for the years ended December 31, 2011, 2010, 2009, and 2008 in Schedules 3 through 5 has been subjected to auditing procedures applied in the audits of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other procedures in accordance with generally auditing procedures generally accepted in the United States of America. In our opinion, the information presented in Schedules 3 through 5 for the years ended December 31, 2011, 2010, 2009, and 2008 is fairly stated in all material respects in relation to the financial statements as a whole from which it has been derived.

*Bourgeois Bennett, L.L.C.*

Certified Public Accountants.

Houma, Louisiana,  
March 19, 2013.

**SCHEDULE OF OTHER SERVICES AND CHARGES**  
**BUDGET AND ACTUAL**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Favorable (Unfavorable)
	Original	Final		
Auditing services	\$ 450,000	\$ 450,000	\$ 332,943	\$ 117,057
Auto and travel	9,000	9,000	6,234	2,766
Insurance	31,000	31,000	27,306	3,694
Legal fees:				
Attorneys	43,500	43,500	35,748	7,752
Attorney revenue fees	(5,000)	(5,000)	(6,281)	1,281
Office machine rentals	21,000	21,000	24,616	(3,616)
Office rent	34,100	34,100	34,079	21
Other	14,400	14,400	12,303	2,097
Telephone	6,000	7,500	8,128	(628)
<b>Totals</b>	<b>\$ 604,000</b>	<b>\$ 605,500</b>	<b>\$ 475,076</b>	<b>\$ 130,424</b>

**SCHEDULE OF COLLECTIONS ON BEHALF OF OTHER TAXING AUTHORITIES**  
**PARISH SALES TAX FUND**

**Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

	<u>Total Collections</u>	<u>Collection Cost</u>	<u>Final Distribution</u>
Terrebonne Parish Consolidated Government (1.42%)			
Parish Tax (.59%)	\$ 13,944,264	\$ 128,726	\$ 13,815,538
Parish Drainage (.25%)	5,976,114	56,453	5,919,661
Parish Roads and Bridges (.25%)	5,976,114	56,453	5,919,661
City of Houma (.33%)	7,968,150	72,272	7,895,878
	<u>33,864,642</u>	<u>313,904</u>	<u>33,550,738</u>
Terrebonne Parish Library (.25%)	<u>5,976,114</u>	<u>56,453</u>	<u>5,919,661</u>
Terrebonne Parish Levee District (.25%)	<u>5,976,114</u>	<u>56,453</u>	<u>5,919,661</u>
Terrebonne Parish School Board (2.08%)	<u>49,800,952</u>	<u>470,444</u>	<u>49,330,508</u>
Terrebonne Parish Sheriff's Office (.50%)	<u>11,952,229</u>	<u>112,907</u>	<u>11,839,322</u>
Terrebonne Parish - Occupational Licenses	<u>1,419,022</u>	<u>67,340</u>	<u>1,351,682</u>
Houma Area Convention & Visitors Bureau	<u>1,193,299</u>	<u>30,100</u>	<u>1,163,199</u>
<b>Totals</b>	<b><u>\$ 110,182,372</u></b>	<b><u>\$ 1,107,601</u></b>	<b><u>\$ 109,074,771</u></b>

**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**PARISH SALES TAX FUND**

**Terrebonne Parish Sales and Use Tax Department**

For the years ended December 31, 2012, 2011, 2010, 2009, and 2008

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Cash at beginning of year					
	<b>\$ 9,191,875</b>	<b>\$ 8,467,028</b>	<b>\$ 7,188,770</b>	<b>\$ 10,459,068</b>	<b>\$ 9,084,570</b>
Cash receipts:					
Sales and use taxes (net of refunds)					
Hotel/motel taxes	107,514,203	100,992,494	98,798,472	104,501,987	111,424,147
Occupational license (net of refunds)	1,204,017	1,012,565	1,449,478	1,004,198	1,114,995
Miscellaneous:					
Interest	1,414,323	1,452,529	1,400,388	1,453,022	1,417,015
Other					
	<b>4,127</b>	<b>4,187</b>	<b>4,510</b>	<b>5,252</b>	<b>56,140</b>
	<b>11,294</b>	<b>9,517</b>	<b>9,789</b>	<b>16,926</b>	<b>10,351</b>
Total cash receipts					
	<b>110,147,964</b>	<b>103,471,292</b>	<b>101,662,637</b>	<b>106,981,385</b>	<b>114,022,648</b>
Total cash available					
	<b>119,339,839</b>	<b>111,938,320</b>	<b>108,851,407</b>	<b>117,440,453</b>	<b>123,107,218</b>
Cash disbursements:					
Distributions to other governmental units:					
Terrebonne Parish School Board	49,330,508	45,903,298	44,697,808	49,394,294	50,523,925
Terrebonne Parish Consolidated Government	34,902,420	32,606,261	31,733,302	34,973,724	35,717,038
Terrebonne Parish Sheriff	11,839,322	11,016,792	10,727,474	11,854,604	12,125,742
Terrebonne Parish Consolidated Government - Library	5,919,661	5,508,396	5,363,737	5,926,963	6,062,871
Terrebonne Parish Consolidated Government - Levee District	5,919,661	5,508,396	5,344,077	5,865,939	6,031,490
Houma Area Convention & Visitors Bureau	1,163,199	1,029,296	1,365,680	1,017,471	1,046,033
Distributions to the General Fund	1,117,434	1,166,619	1,145,395	1,213,128	1,138,444
Miscellaneous					
	<b>3,737</b>	<b>7,387</b>	<b>6,906</b>	<b>5,560</b>	<b>2,607</b>
Total cash disbursements					
	<b>110,195,942</b>	<b>102,746,445</b>	<b>100,384,379</b>	<b>110,251,683</b>	<b>112,648,150</b>
Cash at end of year					
	<b>\$ 9,143,897</b>	<b>\$ 9,191,875</b>	<b>\$ 8,467,028</b>	<b>\$ 7,188,770</b>	<b>\$ 10,459,068</b>

**SCHEDULE OF GOVERNMENTAL FUND EXPENDITURES****Terrebonne Parish Sales and Use Tax Department**

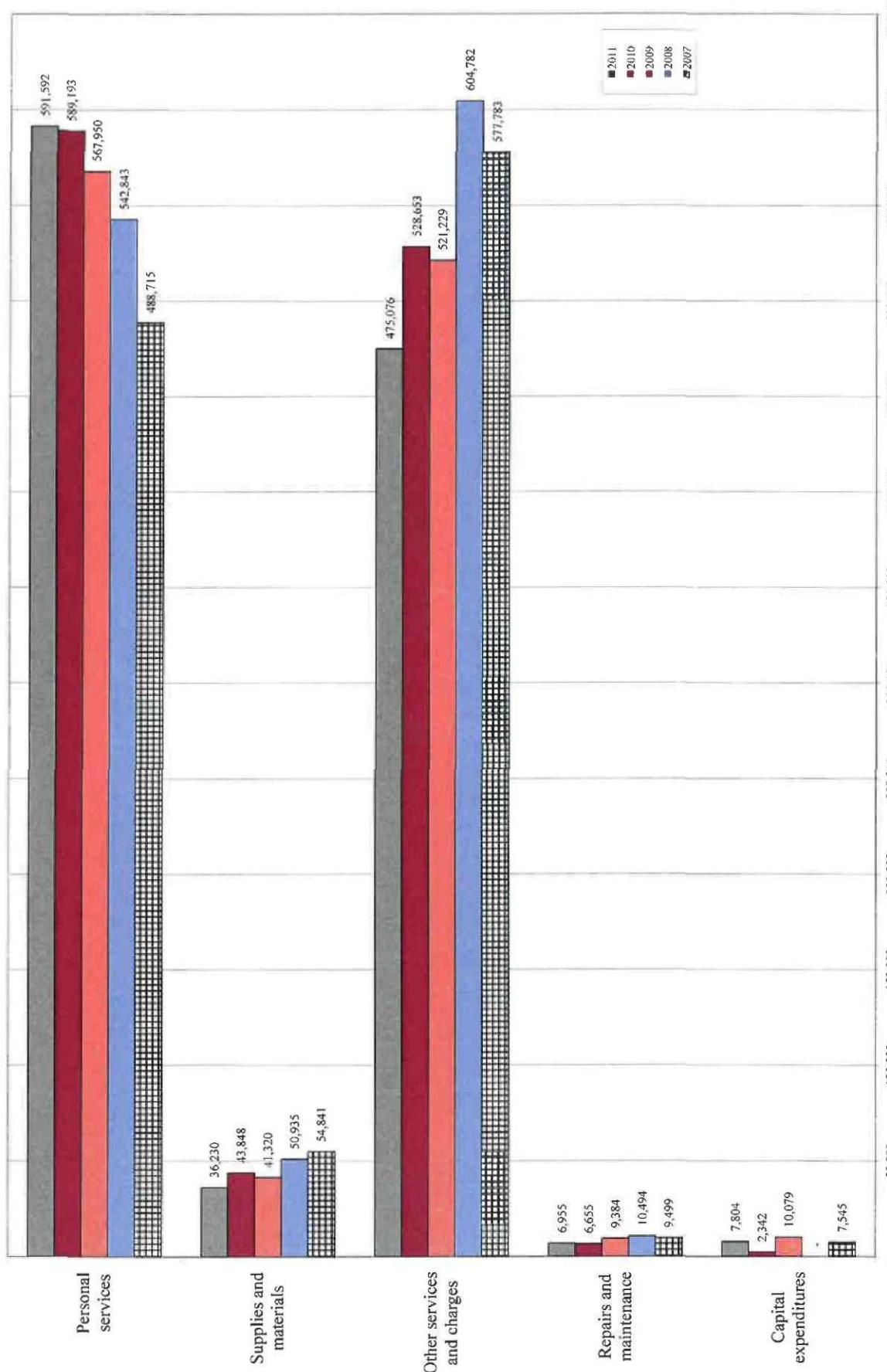
For the years ended December 31, 2012, 2011, 2010, 2009, and 2008

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
<b>Expenditures - General Government</b>					
Personal services:					
Salaries and wages	\$ 370,797	\$ 367,902	\$ 357,689	\$ 352,116	\$ 322,126
Payroll taxes	26,237	26,158	25,421	25,035	23,909
Employee benefits	<u>194,558</u>	<u>195,133</u>	<u>184,840</u>	<u>165,692</u>	<u>142,680</u>
Total personal services	<u>591,592</u>	<u>589,193</u>	<u>567,950</u>	<u>542,843</u>	<u>488,715</u>
Supplies and materials	<u>36,230</u>	<u>43,848</u>	<u>41,320</u>	<u>50,935</u>	<u>54,841</u>
Other services and charges:					
Auditing services	332,943	396,112	376,033	458,660	468,777
Auto and travel	6,234	6,235	5,198	7,188	5,631
Insurance	27,306	28,589	27,882	26,946	17,294
Legal fees:					
Attorneys	35,748	32,377	39,841	31,648	31,520
Attorney fee revenue	(6,281)	(2,813)	(2,696)	(11,579)	(7,079)
Office machine rentals	24,616	15,809	12,703	10,792	14,193
Software technology services	-	-	10,604	33,933	-
Office rent	34,079	34,079	34,494	29,100	29,100
Other	12,303	11,882	11,611	11,973	9,894
Telephone	<u>8,128</u>	<u>6,383</u>	<u>5,559</u>	<u>6,121</u>	<u>8,453</u>
Total other services and charges	<u>475,076</u>	<u>528,653</u>	<u>521,229</u>	<u>604,782</u>	<u>577,783</u>
Repairs and maintenance	<u>6,955</u>	<u>6,655</u>	<u>9,384</u>	<u>10,494</u>	<u>9,499</u>
Capital expenditures	<u>7,804</u>	<u>2,342</u>	<u>10,079</u>	<u>-</u>	<u>7,545</u>
Total general government	<b>\$ 1,117,657</b>	<b>\$ 1,170,691</b>	<b>\$ 1,149,962</b>	<b>\$ 1,209,054</b>	<b>\$ 1,138,383</b>

## GOVERNMENTAL FUND EXPENDITURES

### Terrebonne Parish Sales and Use Tax Department

For the years ended 2012, 2011, 2010, 2009, and 2008.



**SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS**

**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**

To the Sales and Use Tax Advisory Board,  
Terrebonne Parish Sales and Use Tax Department,  
Houma, Louisiana.

We have audited, in accordance with the 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 statements of the governmental activities and each major fund of Terrebonne Parish Sales and Use Tax Department (the Department), a component unit of Terrebonne Parish Consolidated Government, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and have issued our report thereon dated March 19, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit, 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 opinions on the financial statements, 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 Department'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 over financial reporting 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 statements are free of 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 Department'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.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountants.

Houma, Louisiana,  
March 19, 2013.

## **SCHEDULE OF FINDINGS AND RESPONSES**

### **Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

#### **Section I Summary of Auditor's Results**

##### **a) Financial Statements**

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

##### **b) Federal Awards**

Terrebonne Parish Sales and Use Tax Department did not expend federal awards during the year ended December 31, 2012.

#### **Section II Financial Statement Findings**

No financial statement findings were noted during the audit for the year ended December 31, 2012.

#### **Section III Federal Award Findings and Questioned Costs**

Not applicable.

**REPORTS BY MANAGEMENT**

## **SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES**

### **Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

#### **Section I Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2011.  
No significant deficiency(ies) were reported during the audit for the year ended December 31, 2011.

##### **Compliance**

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2011.

#### **Section II Internal Control and Compliance Material to Federal Awards**

Terrebonne Parish Sales and Use Tax Department did not expend federal awards during the year ended December 31, 2011.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2011.

## **MANAGEMENT'S CORRECTIVE ACTION PLAN**

### **Terrebonne Parish Sales and Use Tax Department**

For the year ended December 31, 2012

#### **Section I Internal Control and Compliance Material to the Financial Statements**

##### **Internal Control**

No material weaknesses were reported during the audit for the year ended December 31, 2012. No significant deficiency(ies) were reported during the audit for the year ended December 31, 2012.

##### **Compliance**

No compliance findings material to the financial statements were noted during the audit for the year ended December 31, 2012.

#### **Section II Internal Control and Compliance Material to Federal Awards**

Terrebonne Parish Sales and Use Tax Department did not expend federal awards during the year ended December 31, 2012.

#### **Section III Management Letter**

A management letter was not issued in connection with the audit for the year ended December 31, 2012.