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

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

and

Report on Compliance and Internal Control Over Financial Reporting

For the Year Ended December 31, 2003

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

Release Date 5.19.04

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INDEPENDENT AUDITORS' REPORT

Mr. Barry Dufrene, Director
St. Mary Parish Sales and Use Tax Dept.
Morgan City, Louisiana

We have audited the accompanying Statement of Fiduciary Net Assets of the St. Mary Parish Sales and Use Tax Dept., a component unit of the St. Mary Parish Council, as of December 31, 2003. This financial statement is the responsibility of the Department's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The St. Mary Parish Sales and Use Tax Dept. is an agency fund created to collect certain taxes within St. Mary Parish and remit them to the various governing bodies within the Parish. The operations of an Agency Fund are custodial in nature and because of this, the financial statement reports the assets and liabilities and does not report results of operations, nor changes in assets and liabilities.

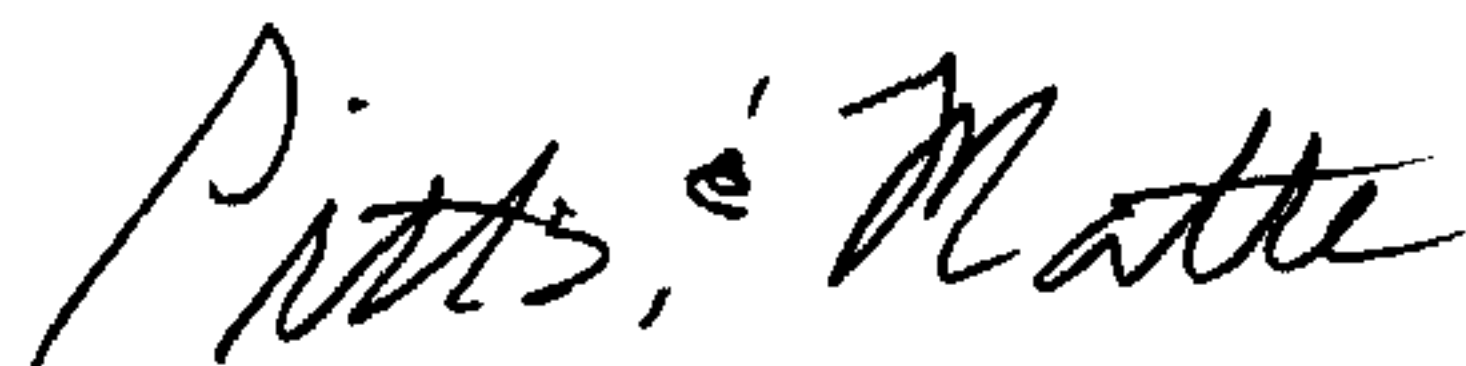
In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the St. Mary Parish Sales and Use Tax Dept., as of December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The accompanying general supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statement of the Department. Such information has been subjected to the auditing procedures applied in the audit of the financial statement; and, in our opinion, the information is fairly presented in all material respects in relation to the financial statement taken as a whole.

As described in Note 1, the Department has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 33 Accounting and Financial Reporting for Nonexchange Transactions and GASB No. 34 Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, for the year ending December 31, 2003.

The Department has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2004 on our consideration of the Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of our audit performed in accordance with Government Auditing Standards and should be used in conjunction with this report in considering the results of the audit.



CERTIFIED PUBLIC ACCOUNTANTS

February 11, 2004

ST. MARY PARISH SALES AND USE TAX DEPT.
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2003

ASSETS	
Cash	\$9,475
Investments	2,152,237
Sales tax receivable	2,558,282
Investments - restricted	60,653
Prepaid expenses	1,500
	<hr/>
Total assets	<u><u>\$4,782,147</u></u>
 LIABILITIES	
Accounts payable and accrued liabilities	\$215
Amounts due to taxing units:	
Amount payable in January	2,158,321
Amount payable in February	2,558,282
Retained taxes collected	65,329
	<hr/>
Total liabilities	<u><u>\$4,782,147</u></u>

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

ST. MARY PARISH SALES AND USE TAX DEPT.

Notes to the Financial Statements

December 31, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Sales and Use Tax Dept. is responsible for the collection and distribution of the various sales and use taxes levied within the Parish. The Department was created in 1966, when the St. Mary Parish Police Jury, forerunner of the St. Mary Parish Council, adopted its original Sales Tax Ordinance, which levied the first sales tax within the Parish. The Department now collects a total of 4% sales tax which has been levied over the years and distributes the proceeds to the various taxing units within the Parish. In addition, the St. Mary Parish Sales and Use Tax Dept. collects and distributes the Hotel/Motel Tax and the Chain Store Tax. Each taxing unit has agreed to reimburse the Department for a portion of the operating costs.

The financial statements of St. Mary Parish Sales and Use Tax Dept. have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Department's accounting policies are described below.

In December 1998, GASB approved Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions (Statement 33) and in June 1999, GASB approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement 34). Significant changes required by Statements 33 and 34 applicable to the Department include a Management's Discussion and Analysis (MD & A) section providing an analysis of the Department's overall financial position, the timing of the recording of the sales and use tax revenues, and the preparation of the financial statement using the full accrual basis of accounting for all of the Department's activities. These changes are reflected in the accompanying financial statement (including notes to the financial statement).

The Department has not presented MD & A that Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 equal liabilities) and does not involve measurement of results of operations.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Accounting

During the year, the Department converted from the modified accrual basis of accounting to the full accrual basis of accounting due to the adoption of Statements 33 and 34. The effect of this change is described in further detail in Note 2.

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 are recognized in the month that the retail sale occurs, not when the sales and use 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 occur during one 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. 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. The Department records the revenues at the time of taxable sale. In addition, the related asset (sales tax receivable) and the related liability (amount payable to taxing units) are also recorded.

For example, when taxable sales occur in December, the related asset (receivable) and liability (payroll) 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 sales and use tax revenues are recognized by the Department.

Cost of Operations

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

D. Budgets

The Department is not required to adopt and did not adopt a budget for the year ended December 31, 2003.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash

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

F. Investments

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

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

NOTE 2 - CHANGE IN ACCOUNTING PRINCIPLES

As stated in Note 1, Summary of Significant Accounting Policies, the Department changed its basis of accounting from modified accrual to full accrual because of the implementation of Statements of 33 and 34. Statement 33 requires that nonexchange transactions (transactions in which the government gives (or receives) value without directly receiving (or giving) equal value in return) be recorded at the time the underlying exchange transaction occurs - for example, at the time a retail sale takes place. Statement 34 requires that fiduciary funds prepare their financial statements on the full accrual basis of accounting.

The combination of the adoption of these two statements resulted in an increase in assets (sales tax receivable) and liabilities (amount payable to taxing units) of approximately \$2.6 million in financial statements for the year ended December 31, 2003.

NOTE 3 - CASH AND INVESTMENTS

Cash

The Department may deposit funds with a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Department may also invest in time deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

At year end, the carrying amount of the Department's cash was \$9,475 and the bank balance was \$37,967. All of the bank balance was covered by federal depository insurance.

Investments

Under state law the Department may invest in certain federally guaranteed investments, certain bank time certificates of deposit and in the Louisiana Asset Management Pool (LAMP). LAMP is an external investment pool operated to allow local government 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. Shares values for the pool are valued at amortized cost which may vary slightly from the fair value.

At year end all of the Department's invested funds were invested with LAMP. These investments total \$2,212,890 and are carried at amortized cost value which approximates fair value. These investment pool amounts have not been assigned a credit risk category since the Department is not issued securities.

NOTE 4 - AMOUNTS CURRENTLY DUE TO TAXING UNITS

The following is a detail of amounts due to taxing units at December 31, 2003:

	<u>Payable in January 2004</u>	<u>Payable in February 2004</u>
St. Mary Parish School Board	\$934,274	\$1,115,175
St. Mary Parish Council	363,480	423,320
City of Morgan City	273,744	345,239
City of Franklin	165,793	209,535
City of Patterson	108,296	108,953
Town of Berwick	93,266	108,030
Town of Baldwin	49,555	51,747
St. Mary Parish Recreation District #1	16,755	20,507
St. Mary Parish Sheriff's Office	132,842	159,240
St. Mary Parish Tourist Commission	<u>20,316</u>	<u>16,536</u>
	<u>\$2,158,321</u>	<u>\$2,558,282</u>

NOTE 5 - PENSION PLAN

St. Mary Parish Sales & Use Tax Dept. contributes to the Parochial Employees' Retirement System of Louisiana (Plan A), a cost sharing multiple-employer public employee retirement system administered by a Board of Trustees consisting of seven members. The System provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries. The System was established by the Louisiana legislature Act 205 of 1952 and revised by Act 765 of 1970. The System issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by calling the Parochial Employees' Retirement System of Louisiana at (225) 928-1361.

Plan members are required to contribute 9.50% of their annual covered salary and St. Mary Parish Sales and Use Tax Dept. is required to contribute at a rate established by the State Legislature. The current rate is 7.75% of annual payroll. The St. Mary Parish Sales and Use Tax Dept.'s actual contributions to the System for the years ending December 31, 2003, 2002, and 2001 were approximately \$43,000, \$49,000, and \$44,000 respectively; and were equal to the required contributions for each year.

NOTE 6- LEASES

The Department has no material long-term non-cancellable lease commitments at December 31, 2003.

NOTE 7- 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 2003 totals \$9,600.

NOTE 8 - 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.

GENERAL SUPPLEMENTARY INFORMATION

ST. MARY PARISH SALES AND USE TAX DEPT.
Schedule of Administrative Cost
For the Year Ended December 31, 2003

Salaries	\$245,445
Examination fees and costs	223,161
Group insurance	63,317
Retirement expense	19,214
Office supplies	11,148
Computer expense	6,567
Auto and travel expense	18,647
Postage	13,420
Rent	9,600
Telephone	5,508
Equipment rental and maintenance	3,285
Payroll taxes	2,635
Professional services	22,916
Due and subscriptions	3,148
Office equipment	11,398
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	\$659,409
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INTERNAL ACCOUNTING CONTROL AND COMPLIANCE SECTION



**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mr. Barry Dufrene, Director
St. Mary Parish Sales and
Use Tax Department
Morgan City, Louisiana

We have audited the financial statement of the St. Mary Parish Sales and Use Tax Department, as of December 31, 2003, and have issued our report thereon dated February 11, 2004, which contains two additional paragraphs. One paragraph notes that during the year, the Department adopted GASB No. 33 and 34. The second paragraph states that management elected to omit Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. 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.

Compliance

As part of obtaining reasonable assurance about whether the St. Mary Parish Sales and Use Tax Department's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Parish Sales and Use Tax Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of management of the Department, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council, and is not intended to be and should not be used by anyone other than these specified parties. 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

February 11, 2004

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

Schedule of Findings, Questioned Costs, and Federal Awards
For the Year Ended December 31, 2003

A. SUMMARY OF AUDIT FINDINGS

1. The auditors' report expressed an unqualified opinion on the general purpose financial statements of the St. Mary Parish Sales and Use Tax Dept.
2. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

No findings are required to be reported for the year ended December 31, 2003.

Compliance

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

3. Federal Awards

This section is not applicable for the year ended December 31, 2003.

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, 2003.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS PROGRAMS

This section is not applicable for the year ended December 31, 2003.

**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.