

**CADDO-SHREVEPORT SALES AND  
USE TAX COMMISSION  
SHREVEPORT, LOUISIANA  
JUNE 30, 2012**

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

# HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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August 27, 2012

Board of Commissioners  
Caddo-Shreveport Sales and Use Tax Commission  
Shreveport, Louisiana

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Caddo-Shreveport Sales and Use Tax Commission, as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. 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.

As discussed in Note 2, the Commission prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position-modified cash basis of the governmental activities and each major fund of the Caddo-Shreveport Sales and Use Tax Commission as of June 30, 2012, and the respective changes in financial position-modified cash basis thereof, and the respective budgetary comparison for the general fund-modified cash basis for the year then ended, in conformity with the basis of accounting described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2012 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on Pages 3 through 6 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.

*Heard, McElroy & Vestal, LLC*

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the financial performance of Caddo-Shreveport Sales and Use Tax Commission provides an overview of the Commission's financial activities for the fiscal years ended June 30, 2012 and 2011. Please read it in conjunction with the Commission's financial statements, which begin on Page 7.

### FINANCIAL HIGHLIGHTS

The Commission's net assets decreased by \$31,293 or 5.1%.

The Commission's total revenues were \$911,380 in 2012 compared to \$979,885 in 2011.

During the year ended June 30, 2012, the Commission had total expenses, excluding depreciation, of \$916,842.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on Pages 7 and 8) provide information about the activities of the Commission as a whole. Fund financial statements start on Page 9. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Commission's operations in more detail than the government-wide statements by providing information about the Commission's most significant funds. The accompanying financial statements present information only on the funds maintained by the Commission, excluding agency funds, which do not measure operations of the Commission.

#### Reporting the Funds Maintained by the Commission as a Whole

##### The Statement of Net Assets and the Statement of Activities

Our analysis of the funds maintained by the Commission as a whole begins on Page 7. The Statement of Net Assets and the Statement of Activities report information about the funds maintained by the Commission as a whole and about its activities. These statements include all assets and liabilities using the *modified cash basis of accounting*.

These two statements report the Commission's *net assets* and changes in them. The Commission's net assets - the difference between assets and liabilities - is one way to measure the Commission's financial health, or *financial position*. Over time, *increases or decreases* in the Commission's net assets are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Assets and the Statement of Activities, we record the activities in the funds maintained by the Commission as governmental activities:

Governmental activities - expenses related to, and resources provided for, the administration of local sales tax laws.

**Reporting the Most Significant Funds Maintained by the Commission**

Our analysis of the major funds maintained by the Commission begins on Page 9. The fund financial statements provide detailed information about the most significant funds maintained by the Commission - not necessarily the Commission as a whole. The Commission's funds use the following accounting approaches.

Governmental fund - All of the Commission's expenses in administering sales tax laws are reported in a governmental fund, which focuses on how money flows into and out of this fund and the balances left at year-end that are available for spending. This fund is reported using an accounting method called *modified cash basis*. The governmental fund statements provide a detailed *short-term view* of the Commission's operations and the expenses paid from the fund. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance certain Commission expenses. We describe the relationship or differences (if any) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation of the fund financial statements.

**THE FUNDS MAINTAINED BY THE COMMISSION AS A WHOLE**

The Commission's total net assets changed from a year ago, decreasing from \$611,822 to \$580,529. Our analysis below focuses on key elements of the total funds for the 2012 and 2011 fiscal years.

**Table 1  
Net Assets**

	<u>Government-Wide Activities</u>	
	<u>2012</u>	<u>2011</u>
Current assets	175,024	186,036
Capital assets	<u>406,581</u>	<u>426,388</u>
Total assets	581,605	612,424
Current liabilities	<u>1,076</u>	<u>602</u>
Total liabilities	1,076	602
Net assets:		
Investments in capital assets	406,581	426,388
Restricted for capital projects	61,900	65,861
Unrestricted	<u>112,048</u>	<u>119,573</u>
Total net assets	<u>580,529</u>	<u>611,822</u>

Net assets of the funds maintained by the Commission decreased by \$31,293 or 5.1%.

**Table 2**  
**Changes in Net Assets**

	<u>Government-Wide Activities</u>	
	<u>2012</u>	<u>2011</u>
Revenues		
Charges for services	405,380	444,885
Intergovernmental	<u>506,000</u>	<u>535,000</u>
Total revenues	911,380	979,885
Expenses		
General governmental	<u>942,673</u>	<u>998,920</u>
(Decrease) in net assets	<u>(31,293)</u>	<u>(19,035)</u>

For the funds maintained by the Commission, total revenues decreased \$68,505, from total revenues in 2011 of \$979,885 to total revenues of \$911,380 in 2012. This decrease resulted from decreases in amounts requested from the Caddo Parish School Board and the City of Shreveport for operations offset by amounts received for charges for services.

In addition, total expenses decreased by \$56,247 from \$998,920 in 2011, to \$942,673 in 2012. This decrease is a result of changes in personnel and a reduction in the use of contract audit firms.

**CAPITAL ASSETS**

At the end of 2012, the Commission had invested \$406,581 in capital assets from those funds maintained by the Commission.

**Table 3**  
**Capital Assets At Year End**

	<u>Government-Wide Activities</u>	
	<u>2012</u>	<u>2011</u>
Equipment	316,843	310,819
Land	60,228	60,228
Building and improvements	<u>554,654</u>	<u>554,654</u>
	931,725	925,701
<u>Less-accumulated depreciation</u>	<u>(525,144)</u>	<u>(499,313)</u>
	<u>406,581</u>	<u>426,388</u>

This year's major additions included:

Computers	3,961	4,894
Other equipment	<u>2,063</u>	<u>601</u>
Total	<u>6,024</u>	<u>5,495</u>

It is anticipated that the Commission's net assets will hold steady in 2013. The Commission has added no major new programs or initiatives to be funded in 2013.

## **CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens and taxpayers with a general overview of the finances for those funds maintained by the Commission and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Administrator at Caddo-Shreveport Sales and Use Tax Commission at 3300 Dee Street, Shreveport, Louisiana 71105; telephone 318-865-3312.

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF NET ASSETS

(MODIFIED CASH BASIS)

JUNE 30, 2012

<u>ASSETS</u>	<u>Primary Government Governmental Activities</u>
<u>Cash:</u>	
Operating	104,489
Capital reserve	61,900
Payroll	5,635
Due from other funds	3,000
Property and equipment, net of depreciation	<u>406,581</u>
Total assets	581,605
 <u>LIABILITIES</u>	
Miscellaneous payables	1,076
 <u>NET ASSETS</u>	
Invested in property and equipment	406,581
Restricted for capital projects	61,900
Unrestricted	<u>112,048</u>
Total net assets	<u><u>580,529</u></u>

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

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF ACTIVITIES

(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30, 2012

<u>Primary Government Programs</u>	<u>Expenses</u>	<u>Program Revenues- Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
General government-collection of sales tax	<u>942,673</u>	<u>405,380</u>	(537,293)
General revenues: Intergovernmental operating			<u>506,000</u>
Change in net assets			(31,293)
Net assets-July 1, 2011			<u>611,822</u>
Net assets-June 30, 2012			<u>580,529</u>

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

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

BALANCE SHEET-GOVERNMENTAL FUNDS

(MODIFIED CASH BASIS)

JUNE 30, 2012

<u>A S S E T S</u>	<u>Governmental Funds</u>		<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	
<u>Cash:-Note 13</u>			
Operating	104,489	-	104,489
Capital reserve	-	61,900	61,900
Payroll	5,635	-	5,635
Due from other fund-Note 4	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total assets	<u>113,124</u>	<u>61,900</u>	<u>175,024</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Miscellaneous payables	<u>1,076</u>	<u>-</u>	<u>1,076</u>
Total liabilities	1,076	-	1,076
 <u>Fund equity:</u>			
Fund balance-assigned	-	61,900	61,900
Fund balance-unassigned	<u>112,048</u>	<u>-</u>	<u>112,048</u>
Total fund equity	<u>112,048</u>	<u>61,900</u>	<u>173,948</u>
Total liabilities and fund equity	<u>113,124</u>	<u>61,900</u>	<u>175,024</u>

Reconciliation of fund equity of governmental funds to net assets of governmental activities:

Total fund equity of governmental funds	173,948
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The governmental funds reports fixed assets as expenditures. However, for purposes of governmental activities, fixed assets, net of accumulated depreciation, are capitalized as property and equipment.	<u>406,581</u>
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Total net assets of governmental activities	<u>580,529</u>
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The accompanying notes are an integral part of these financial statements.

CADD0-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

GOVERNMENTAL FUNDS

(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30, 2012

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Revenues:</u>			
Intergovernmental operating	506,000	-	506,000
Charges for services	339,930	-	339,930
Charges for litigation	62,622	-	62,622
Miscellaneous	<u>2,828</u>	<u>-</u>	<u>2,828</u>
Total revenues	911,380	-	911,380
<u>Expenditures:</u>			
Personnel services-Note 9	669,496	-	669,496
Operating services	78,017	-	78,017
Professional services	138,696	-	138,696
Insurance	9,587	-	9,587
Supplies	8,842	-	8,842
Travel	12,204	-	12,204
Capital expenditures-Note 3	<u>2,063</u>	<u>3,961</u>	<u>6,024</u>
Total expenditures	<u>918,905</u>	<u>3,961</u>	<u>922,866</u>
Excess (deficit) of revenues over expenditures	(7,525)	(3,961)	(11,486)
<u>Fund balance-July 1, 2011</u>	<u>119,573</u>	<u>65,861</u>	<u>185,434</u>
<u>Fund balance-June 30, 2012</u>	<u>112,048</u>	<u>61,900</u>	<u>173,948</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Change in Net Assets of Governmental Activities:

Net change in fund balance-governmental funds (11,486)

The governmental funds report purchases of fixed assets as expenditures. However, for purposes of governmental activities, such payments are capitalized as property and equipment. 6,024

The governmental funds do not report depreciation of property and equipment. However, for purposes of governmental activities, depreciation is reported as an expense. (25,831)

Change in net assets of governmental activities (31,293)

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

CADD0-SHREVEPORT SALES AND USE TAX COMMISSION

BUDGETARY COMPARISON STATEMENT-GENERAL FUND

(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues:</u>				
Intergovernmental operating	774,850	774,850	506,000	(268,850)
Charges for services	325,000	325,000	339,930	14,930
Charges for litigation	-	-	62,622	62,622
Miscellaneous	-	-	2,828	2,828
Total revenues	<u>1,099,850</u>	<u>1,099,850</u>	<u>911,380</u>	<u>(188,470)</u>
<u>Expenditures:</u>				
Personnel services	682,000	692,000	669,496	22,504
Operating services	86,600	88,100	78,017	10,083
Professional services	266,000	266,000	138,696	127,304
Insurance	10,750	10,750	9,587	1,163
Supplies	12,500	12,500	8,842	3,658
Travel	17,000	17,000	12,204	4,796
Operating reserve	20,000	8,500	-	8,500
Capital expenditures	5,000	5,000	2,063	2,937
Total expenditures	<u>1,099,850</u>	<u>1,099,850</u>	<u>918,905</u>	<u>180,945</u>
Excess of revenues over expenditures (expenditures over revenues)	<u>-</u>	<u>-</u>	<u>(7,525)</u>	<u>(7,525)</u>

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

CADD0-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF FIDUCIARY NET ASSETS-AGENCY FUND

(MODIFIED CASH BASIS)

JUNE 30, 2012

<u>ASSETS</u>	<u>Agency Fund</u>
<u>Cash</u> -Note 13	
Clearing	665,042
Escrow	581,457
Louisiana asset management pool-Note 12	153,124
Due from other governments	<u>-</u>
Total assets	<u>1,399,623</u>
<u>LIABILITIES</u>	
Refunds due-Note 7	-
Sales tax paid under protest-Note 5	151,496
Miscellaneous escrow-Note 6	512,408
Interest escrow	70,677
Due to other fund-Note 4	3,000
Due to other governments-Note 8	<u>662,042</u>
Total liabilities	<u>1,399,623</u>

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

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2012

1. Organization

The Caddo-Shreveport Sales and Use Tax Division was created by intergovernmental agreement by the City of Shreveport and the Caddo Parish School Board in July 1967 to jointly collect and administer a sales and use tax effective August 1, 1967.

The Division was reorganized by Act No. 306 of 1979 (now Louisiana R.S.33:2738.54) as the Caddo-Shreveport Sales and Use Tax Commission, established under a Joint Agreement effective May 1, 1980, between the City of Shreveport, Louisiana and the School Board of the Parish of Caddo, State of Louisiana for the purpose of collecting sales and use taxes as authorized by the electorate. The Commission is empowered to collect, enforce and administer the respective sales and use taxes as they are levied by the City and the School Board. The Commission is governed by a Board of Commissioners. Commission members are the Chief Administrative Officer of the City, the Director of Finance of the City, the Assistant Superintendent of Business Affairs of the School Board, and the Director of Finance of the School Board. The Board of Commissioners appoints the Administrator who serves at its pleasure; however, the appointment must be confirmed by the City Council of the City of Shreveport and by the Caddo Parish School Board.

The fiscal year of the Commission is from July 1 through June 30. The Commission's budget is approved by the Board of Commissioners and ratified by the City Council and the School Board prior to June 15, before the ensuing fiscal year. Amendments to the budget which exceed the total budgetary authorization must be approved by the City Council and the School Board. Adjustments of line items within the budget may be made by the Board of Commissioners at any time.

2. Summary of Significant Accounting Policies

Basis of Accounting

The Commission prepares its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This basis differs from those generally accepted accounting principles in that revenue and other related assets are generally recognized when received rather than when measurable and available for use, and expenditures are recognized when paid rather than when the obligations are incurred. However, for purposes of the government-wide financial statements, expenditures for capital assets have been capitalized, and related depreciation has been recorded.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain significant changes in the Statement included the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Commission's capital assets.

## 2. Summary of Significant Accounting Policies (Continued)

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

The following is a summary of certain significant accounting policies:

### Reporting Entity

GASB 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. For financial reporting purposes, in conformity with the requirements of GASB 14, the Caddo-Shreveport Sales and Use Tax Commission is considered a joint venture of the Caddo Parish School Board and the City of Shreveport. As established by combined ordinances of these two governmental entities, the Commission was created and organized as an independent agency to administer the terms of a joint agreement for the collection of sales and use taxes. Both the Caddo Parish School Board and the City of Shreveport exercise joint control over, and have continuing financial interests in and financial responsibilities to, the Commission.

### Basic Financial Statements – Government-Wide Statements

The Commission's basic financial statements include both government-wide (reporting the funds maintained by the Commission as a whole) and fund financial statements (reporting the Commission's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. However, the Commission has only one primary activity – the collection and distribution of sales taxes, which is classified as a governmental activity.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a modified cash, economic resources basis, which recognizes all long-term assets and liabilities. The Commission's net assets are reported in three parts – invested in property and equipment, restricted net assets, and unrestricted net assets.

The government-wide Statement of Activities reports both the gross and net cost of the Commission's functions. The functions are also supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, which must be directly associated with the function. The net costs (by function) are normally covered by general revenue.

This government-wide focus is more on the sustainability of the Caddo-Shreveport Sales and Use Tax Commission as an entity and the change in the Commission's net assets resulting from the current year's activities. Fiduciary funds are not included in the government-wide financial statements.

### Basic Financial Statements – Fund Financial Statements

The Commission uses funds and an account group to account for its financial activities. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable financial resources.

The funds and account group of the Commission are shown in the financial statements as follows:

## 2. Summary of Significant Accounting Policies (Continued)

### GOVERNMENTAL FUND TYPE

#### General Fund

The general operating fund of the Commission is used to account for all financial resources, except those which are required to be accounted for in another fund. Fund equity is referred to as fund balance. Fund balance is classified according to a hierarchy that shows, from the highest to lowest level of constraint on the use of that fund balance, the extent to which the Commission is bound to honor them: nonspendable, restricted, committed, assigned and unassigned.

#### Capital Projects Fund

This fund is used to account for resources received, held, or used for the acquisition, construction, or improvement of capital facilities not reported in other governmental funds.

### FIDUCIARY FUND TYPE

#### Agency Fund

This fund is used to account for collection of sales and use tax, and its disbursement to the various taxing jurisdictions. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### Budget

The budget amounts shown in the financial statements are the original and final authorized amounts as revised during the year. The budget is prepared by the Administrator to cover anticipated expenses. Appropriations are not recorded in the general ledger. Therefore, the Commission only recognizes expenses which are actually paid. Unused budgeted funds lapse at the end of each year.

#### Cash in Banks

All deposits are held in financial institutions insured by the FDIC and are secured by pledged obligations of the U.S. Government or its Agencies held by the Federal Reserve in the name of the depository institution. For financial statement purposes, cash includes cash on hand and non-restricted bank deposits.

#### Collections

Collections include taxes, penalties and interest. Refunds to dealers are not shown as deductions from collections, since at the time the refund is determined, these funds are requested from the School Board and the City for their proportionate share.

#### Disposition of Funds

All sales taxes collected are deposited promptly into a segregated bank account. The proper amounts are wire transferred to the Caddo Parish School Board, the City of Shreveport, the Towns of Vivian, Oil City, Mooringsport, Blanchard, Greenwood, Rodessa, Ida, Caddo Parish Sales Tax District #1, Caddo Parish Law Enforcement District, and the Shreveport-Bossier Convention and Tourist Bureau, as soon as the bank clears the funds.

#### Operating Revenues

The Caddo Parish School Board and the City of Shreveport make monthly transfers for deposit into the operating bank account for payment of the operating expenses of the Commission. The operating transfers are based on the ratio of the tax collections for the previous month for each entity to total taxes collected. The transfers for fixed asset purchases are shared equally by the School Board and City.

2. Summary of Significant Accounting Policies (Continued)

Charges for Services (Fees)

The Commission collects sales taxes for Blanchard, Vivian, Oil City, Mooringsport, Greenwood, Rodessa, Ida, Caddo Parish Sales Tax District #1, Caddo Parish Law Enforcement District, and the use and occupancy taxes on hotel and motel rooms for the Shreveport-Bossier Convention and Tourist Bureau. The Commission receives fees for this service and, as instructed by the Board of Commissioners, records them as revenues in the General Fund.

Charges for Litigation

Legal fees equal to ten percent of the aggregate amount for which lawsuit is filed are collected from vendors on assessments involving litigation. These fees are reflected as a revenue item within the General Fund.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying events occur.

Allocation of Operating Expenditures

Expenses incurred in operating the Commission are allocated monthly between the Caddo Parish School Board and the City of Shreveport in the same manner as transfers.

Vacation and Sick Pay

The charge for vacation and sick pay is recorded when paid.

Employees accrue annual leave under the following schedule:

<u>Length of Service</u>	<u>Annual Leave Earned</u>
Less than five years	Ten days per year
From five to ten years	Twelve days per year
From ten to twenty years	Fifteen days per year
Over twenty years	Twenty days per year

Generally, no more than two years of accrued unused leave may be carried forward to the next fiscal year.

Sick leave is granted at the rate of twelve days per year for employees employed up to twenty years, and at the rate of fifteen days per year for employees over twenty years. There is no limit on the carryover of sick leave.

Risk Management

The Commission is subject to normal business and liability risk, including risk of loss of assets. These risks are managed through the purchase of insurance policies. Insurance settlements did not exceed insurance coverage for the past three fiscal years, nor has there been any significant reduction in insurance coverage since the prior fiscal year.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment acquired with an original cost of at least \$500 and with an estimated useful life over one year are capitalized and depreciated in the government-wide statement of net assets. Depreciation is recorded using the straight-line method over the assets' estimated useful lives, as follows:

Building	40 years
Improvements	40 years
Equipment	3-10 years

Fund Equity in Fund Financial Statements

Governmental fund equity is classified as fund balance. Beginning in 2011, the Commission implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purpose for which resources can be used:

- **Nonspendable:** This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The Commission had no nonspendable resources as of year end.
- **Restricted:** This classification includes amounts for which constraints have been placed on the use of resources that are either:
  - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
  - Imposed by law through constitutional provisions or enabling legislation.

The Commission had no restricted resources as of year end.

- **Committed:** This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Commission's board of commissioners, which is the Commission's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Commission did not have any committed resources as of year end.
- **Assigned:** This classification includes spendable amounts that are reported in governmental funds *other than the General Fund*, that are neither restricted nor committed, and amounts in the General Fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement 54. The intent of an assigned fund balance should be expressed by either the Commission's board of commissioners, or a subordinate high-level body, such as a finance committee, or an official, such as the administrator, that has the authority to assign amounts to be used for specific purposes.

2. Summary of Significant Accounting Policies (Continued)

- Unassigned: This classification is the residual fund balance for the General Fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund.

When fund balance resources are available for a specific purpose in multiple classifications, the Commission would use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

3. Property and Equipment

The following is a summary of changes in property and equipment for the year ended June 30, 2012:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2012</u>
Land	60,228	-	-	60,228
Building	544,658	-	-	544,658
Improvements	9,996	-	-	9,996
Equipment	<u>310,819</u>	<u>6,024</u>	<u>-</u>	<u>316,843</u>
Total cost	925,701	6,024	-	931,725
Accumulated depreciation	<u>(499,313)</u>	<u>(25,831)</u>	<u>-</u>	<u>(525,144)</u>
Property and equipment, net	<u>426,388</u>	<u>(19,807)</u>	<u>-</u>	<u>406,581</u>

4. Due from/to Other Fund

During the course of operations, transactions may occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other fund" or "due to other fund" on the balance sheet. At June 30, 2012, these balances were as follows:

<u>Fund</u>	<u>Due from</u> <u>Other Fund</u>	<u>Due to</u> <u>Other Fund</u>
General Fund	3,000	-
Agency Fund	<u>-</u>	<u>3,000</u>
	<u>3,000</u>	<u>3,000</u>

5. Sales Tax Paid Under Protest

Sales taxes collected under circumstances where the dealer disputes the liability are segregated until a settlement or legal action resolves the issue. These funds are recorded in a separate account.

6. Miscellaneous Escrow

The amounts in this account represent partial payments on final assessments, which are distributed to the appropriate tax jurisdictions after the full assessment is settled.

7. Refunds Due

Because of dealer error or misinterpretation of law, excess sales taxes are at times collected. After verification of the overpayment by the Commission, a refund request is made to the taxing authority. Upon receipt, the Commission remits the refund to the dealer.

8. Due to Other Governments

This account represents sales taxes that have been collected, and are due to the various taxing authorities.

9. Retirement Plan

Plan Description

Employees of the Commission are covered by the Employees' Retirement System of the City of Shreveport, which is a cost-sharing multiple-employer public employee retirement system (PERS). All full-time employees are required to participate in the PERS. The plan provides pension, death, and disability benefits. Authority for the Commission to participate in the plan is contained in the ordinances of the City of Shreveport, which also sets forth plan contribution rates. A member may retire at age 65 with ten or more years of service, age 55 with 20 years of service, or at any age with 30 years of service. Benefits vest after ten years of service. Employees who retire at or after age 65 with twenty or more years of service are entitled to pension payments for the remainder of their lives equal to 3% of average compensation (3 1/3% of average compensation after December 31, 1995) times years of creditable service. Employees who retire prior to age 65 with less than twenty but more than ten years of service must reduce their benefit by an amount that is dependent upon the length of time remaining until normal retirement age, as defined in the plan. Average compensation means average annual earned compensation of an employee for the highest thirty-six successive months as a member of the plan.

Pension provisions include deferred allowances whereby an employee may terminate his employment with the Commission after accumulating 10 years of service but before reaching age 60. In such cases, the employee may allow accumulated contributions to remain on deposit and service retirement allowance to begin when retirement eligibility is attained.

Pension provisions include death and disability benefits, whereby the surviving spouse may receive a lump sum refund of the employee's contributions into the plan, or 50% of the employee's monthly benefit for life, with certain reductions based upon the employee's time remaining to reach age 65.

Disabled employees are entitled to receive disability payments up to age 65, at which time normal retirement payments begin.

The Commission's current year covered payroll amounted to approximately \$441,000; its total current year payroll amounted to approximately \$512,000 for the year ended June 30, 2012.

Contributions Required and Made

Effective January 1, 2007, employees of the Commission are required to pay 9.00% (7.00% previously) of their gross compensation to the traditional pension plan. In addition, they may pay an additional 4.00% to a combination of savings and 401 plans. The Commission is required to contribute 13.15% of its gross covered payroll to the plan. Three-year trend information follows:

	<u>June 30,</u> <u>2012</u>	<u>June 30,</u> <u>2011</u>	<u>June 30,</u> <u>2010</u>
Required contribution	57,958	58,240	66,184
Actual contribution	57,958	58,240	66,184
As a percentage of covered payroll	13.15%	13.15%	13.15%

9. Retirement Plan (Continued)

Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB 5 that, with some exceptions, must be used by a PERS. The standardized measure is the actuarial present value of credited projected benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date, and is adjusted for the effects of projected salary increases. A standardized measure of the pension benefit obligation was adopted by GASB to enable readers of PERS financial statements to assess the PERS funding status on a going-concern basis, to assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among other PERS and among other employers.

Ten year historical trend information is presented in the 2011 Employees' Retirement System of the City of Shreveport Comprehensive Annual Financial Report. This information is useful in assessing the plan's accumulation of sufficient assets to pay pension benefits as they become due. During 2011 and as of June 30, 2012, the City of Shreveport PERS held no securities issued by the Commission.

Hospitalization and life insurance are also provided. The cost of these plans is shared by the employees and the Commission at a ratio of 33% and 67%. The cost to the Commission was approximately \$94,000 for the year ended June 30, 2012.

10. Dealers on Pay-Out Status

After a deficiency in tax has been accepted by a dealer as a result of audit or delinquency on account, certain dealers may prove a hardship in remitting the total additional amount due. In such cases the Administrator may agree to place the deficiency on a monthly pay-out status. These amounts are disbursed through the clearing account. The Commission maintains memoranda accounts of amounts due from dealers on pay-out status. These accounts at June 30, 2012, totaled approximately \$155,000.

11. Deferred Compensation Plan

In 1994, the Commission began offering its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Until 1999, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were (until paid or made available to the employee or other beneficiary) solely the property and rights of the Commission (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Commission's general creditors. Participants' rights under the plan were equal to those of general creditors of the Commission in an amount equal to the fair market value of the deferred account for each participant.

Effective July 2, 1999, in response to a change in federal law, the plan was modified to provide that all assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries and, therefore, are not available to the general creditors of the Commission. Accordingly, plan assets, which had an approximate fair value of \$39,800 at June 30, 2012, are not included in the Commission's agency fund.

12. Louisiana Asset Management Pool

The Louisiana Asset Management Pool (LAMP) is a local government investment pool. In accordance with GASB Codification Section I50.126, the investment in LAMP is not categorized in the three risk categories provided by GASB Codification Section I50.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form.

LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana. Only local government entities having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's investment guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows all municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the state treasurer and the board of directors. LAMP is not registered with the SEC as an investment company.

13. Cash

As of June 30, 2012, the Commission had on deposit with financial institutions bank balances totaling \$1,428,506. This amount was insured by deposit insurance of \$250,000; the excess was entirely collateralized with U.S. Treasury securities held by the financial institution in the Commission's name.

14. Other Post-Employment Benefits

In addition to the pension benefits described in Note 9, the Commission pays 50% of the premiums for postretirement health care benefits, in accordance with ordinances of the City of Shreveport, to all Commission retirees. Expenditures for these premiums are generally made monthly, and amounted to approximately \$36,000 for the year ended June 30, 2012 for the seven participant retirees.

15. Budget Variances

Total revenues of \$911,380 were less than the budgeted amount by \$188,470, or 17.1% because total expenditures of \$918,905 also were under-budget by \$180,945, making it possible for the Commission to reduce its intergovernmental operating draws.

16. Taxes Collected and Distributed

Tax collections and distributions are accounted for in the Commission's agency fund. Tax collections for the fiscal year ended June 30, 2012 amounted to \$223,359,241 in sales taxes, and \$3,406,102 in occupancy taxes. Total distributions to each taxing authority for the fiscal year ended June 30, 2012 are shown in the following table:

Sales Taxes

Caddo Parish School Board	75,535,785
Law Enforcement District of Caddo	17,617,282
Sales Tax District No. 1	10,959,122
City of Shreveport	116,937,064
Town of Vivian	1,460,403
Town of Oil City	249,483
Town of Mooringsport	43,005
Town of Greenwood	488,307
Village of Rodessa	12,121
Town of Blanchard	165,714
Village of Ida	<u>25,465</u>
	223,493,751

Occupancy Taxes

Shreveport-Bossier Convention and Tourist Bureau	2,186,629
City of Shreveport	546,658
City of Bossier City	<u>546,658</u>
	<u>3,279,945</u>

Total distributed 226,773,696

OTHER REPORTS

# HEARD, McELROY, & VESTAL

—LLC—

CERTIFIED PUBLIC ACCOUNTANTS

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August 27, 2012

Board of Commissioners  
Caddo-Shreveport Sales and Use Tax Commission  
Shreveport, Louisiana

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*

We have audited the financial statements of the governmental activities and each major fund of Caddo-Shreveport Sales and Use Tax Commission (the Commission), as of and for the year ended June 30, 2012, and have issued our report thereon dated August 27, 2012. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

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 combination of deficiencies, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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 over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission'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*.

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This report is intended for the information and use of the members of the Board of Commissioners, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Heard, McElroy & Vestal, LLC

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

We have audited the financial statements of Caddo-Shreveport Sales and Use Tax Commission as of and for the year ended June 30, 2012, and have issued our report thereon dated August 27, 2012. 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. Our audit of the financial statements as of June 30, 2012 resulted in an unqualified opinion.

A. Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control - No material weaknesses were noted; no management letter was issued.

Compliance - No material noncompliance was noted.

b. Federal Awards – None

B. Findings – Financial Statement Audit

None

C. Findings – Major Federal Award Programs

None

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2012

There were no findings as a result of the June 30, 2011 audit.

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR CURRENT YEAR FINDINGS

YEAR ENDED JUNE 30, 2012

There were no findings as a result of the June 30, 2012 audit.