

**CADDO-SHREVEPORT SALES AND
USE TAX COMMISSION
SHREVEPORT, LOUISIANA
JUNE 30, 2004**

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 12-22-04

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

July 29, 2004

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, 2004, 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. 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, 2004, 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.

As described in Note 2, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis information on Pages 3 through 6 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 29, 2004 on our consideration of the Commission's internal control over financial reporting and on its compliance with laws, regulations, contracts, grants 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.

Heard, McElroy + Ventral, LLP

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, 2004 and 2003. 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 \$50,305 or 5.9%.

The Commission's total revenues were \$816,519 in 2004 compared to \$883,268 in 2003.

During the year ended June 30, 2004, the Commission had total expenses, excluding depreciation, of \$824,735.

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.

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 \$848,540 to \$798,235. Our analysis below focuses on key elements of the total funds for the 2004 and 2003 fiscal years.

Table 1
Net Assets

	<u>Government-Wide Activities</u>	
	<u>2004</u>	<u>2003</u>
Current assets	220,220	288,232
Capital assets	<u>579,365</u>	<u>560,458</u>
Total assets	799,585	848,690
Current liabilities	<u>1,350</u>	<u>150</u>
Total liabilities	1,350	150
Net assets:		
Investments in capital assets	579,365	560,457
Restricted for capital projects	144,542	204,462
Unrestricted	<u>74,328</u>	<u>83,621</u>
Total net assets	<u><u>798,235</u></u>	<u><u>848,540</u></u>

Net assets of the funds maintained by the Commission decreased by \$50,305 or 5.9%.

Table 2
Changes in Net Assets

	<u>Government-Wide Activities</u>	
	<u>2004</u>	<u>2003</u>
Revenues		
Charges for services	221,519	219,267
Intergovernmental	<u>595,000</u>	<u>664,001</u>
Total revenues	816,519	883,268
Expenses		
General governmental	<u>866,824</u>	<u>842,542</u>
Increase (decrease) in net assets	<u>(50,305)</u>	<u>40,726</u>

For the funds maintained by the Commission, total revenues decreased \$66,749, from total revenues in 2003 of \$883,268, to total revenues of \$816,519 in 2004. This decrease resulted from declines in amounts received from the City of Shreveport and the Caddo Parish School Board.

In addition, total expenses increased slightly by \$24,282, from \$842,542 in 2003, to \$866,824 in 2004.

CAPITAL ASSETS

At the end of 2004, the Commission had invested \$961,090 in capital assets from those funds maintained by the Commission.

Table 3
Capital Assets At Year End

	<u>Government-Wide Activities</u>	
	<u>2004</u>	<u>2003</u>
Equipment	346,208	285,211
Land	60,228	60,228
Building and improvements	<u>554,654</u>	<u>554,654</u>
	961,090	900,093
<u>Less-accumulated depreciation</u>	<u>(381,725)</u>	<u>(339,636)</u>
	<u>579,365</u>	<u>560,457</u>

This year's major additions included:

Computer equipment	59,920	10,682
Other equipment	<u>1,077</u>	<u>-</u>
Total	<u>60,997</u>	<u>10,682</u>

It is anticipated that the Commission's net assets will hold steady in 2005. The Commission has added no major new programs or initiatives to be funded in 2005.

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 Caddo-Shreveport Sales and Use Tax Commission at 3300 Dee Street, Shreveport, Louisiana 71105.

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF NET ASSETS

(MODIFIED CASH BASIS)

JUNE 30, 2004

<u>A S S E T S</u>	<u>Primary Government Governmental Activities</u>
<u>Cash:</u>	
Operating	69,748
Capital reserve	144,542
Payroll	2,930
Due from other funds	3,000
Property and equipment, net of depreciation	<u>579,365</u>
Total assets	<u>799,585</u>
 <u>LIABILITIES</u>	
Miscellaneous payables	1,350
 <u>NET ASSETS</u>	
Invested in property and equipment	579,365
Restricted for capital projects	144,542
Unrestricted	<u>74,328</u>
Total net assets	<u><u>798,235</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, 2004

<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>866,824</u>	<u>221,519</u>	(645,305)
General revenues: Intergovernmental operating			<u>595,000</u>
Change in net assets			(50,305)
Net assets-July 1, 2003			<u>848,540</u>
Net assets-June 30, 2004			<u>798,235</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, 2004

<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	69,748	-	69,748
Capital reserve	-	144,542	144,542
Payroll	2,930	-	2,930
Due from other fund-Note 4	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total assets	<u>75,678</u>	<u>144,542</u>	<u>220,220</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Miscellaneous payables	<u>1,350</u>	<u>-</u>	<u>1,350</u>
Total liabilities	1,350	-	1,350
 <u>Fund equity:</u>			
Fund balance-unreserved	<u>74,328</u>	<u>144,542</u>	<u>218,870</u>
Total fund equity	<u>74,328</u>	<u>144,542</u>	<u>218,870</u>
Total liabilities and fund equity	<u>75,678</u>	<u>144,542</u>	<u>220,220</u>

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

Total fund equity of governmental funds 218,870

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. 579,365

Total net assets of governmental activities 798,235

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

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-

GOVERNMENTAL FUNDS

(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30, 2004

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Revenues:</u>			
Intergovernmental operating	595,000	-	595,000
Charges for services	207,962	-	207,962
Charges for litigation	9,944	-	9,944
Miscellaneous	<u>3,613</u>	-	<u>3,613</u>
Total revenues	816,519	-	816,519
<u>Expenditures:</u>			
Personnel services-Note 9	605,372	-	605,372
Operating services	71,157	-	71,157
Professional services	120,790	-	120,790
Insurance	8,910	-	8,910
Supplies	9,606	-	9,606
Travel	8,900	-	8,900
Capital expenditures-Note 3	<u>1,077</u>	<u>59,920</u>	<u>60,997</u>
Total expenditures	<u>825,812</u>	<u>59,920</u>	<u>885,732</u>
Excess (deficit) of revenues over expenditures	(9,293)	(59,920)	(69,213)
<u>Fund balance-July 1, 2003</u>	<u>83,621</u>	<u>204,462</u>	<u>288,083</u>
<u>Fund balance-June 30, 2004</u>	<u>74,328</u>	<u>144,542</u>	<u>218,870</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 (69,213)

The governmental funds report purchases of fixed assets as expenditures. However, for purposes of governmental activities, such payments are capitalized as property and equipment. 60,997

The governmental fund does not report depreciation of property and equipment. However, for purposes of governmental activities, depreciation is reported as an expense. (42,089)

Change in net assets of governmental activities (50,305)

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

CADDOSHREVEPORT SALES AND USE TAX COMMISSION

BUDGETARY COMPARISON STATEMENT-GENERAL FUND

(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30, 2004

	<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	716,550	716,550	595,000	(121,550)
Charges for services	-	-	207,962	207,962
Charges for litigation	-	-	9,944	9,944
Miscellaneous	-	-	<u>3,613</u>	<u>3,613</u>
Total revenues	<u>716,550</u>	<u>716,550</u>	816,519	99,969
<u>Expenditures:</u>				
Personnel services	629,800	629,800	605,372	24,428
Operating services	79,500	80,500	71,157	9,343
Professional services	155,000	155,000	120,790	34,210
Insurance	9,250	9,250	8,910	340
Supplies	12,000	12,000	9,606	2,394
Travel	16,000	16,000	8,900	7,100
Operating reserve	20,000	19,000	-	19,000
Capital expenditures	<u>5,000</u>	<u>5,000</u>	<u>1,077</u>	<u>3,923</u>
Total expenditures	<u>926,550</u>	<u>926,550</u>	<u>825,812</u>	<u>100,738</u>
Excess of revenues over expenditures (expenditures over revenues)	(210,000)	(210,000)	(9,293)	200,707
<u>Other operating financing sources:</u>				
Operating transfers in	<u>210,000</u>	<u>210,000</u>	-	<u>(210,000)</u>
Total other operating financing sources	<u>210,000</u>	<u>210,000</u>	-	<u>(210,000)</u>
Excess of (expenditures and other uses over revenues and other sources)	<u>-</u>	<u>-</u>	<u>(9,293)</u>	<u>(9,293)</u>

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

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF FIDUCIARY NET ASSETS-AGENCY FUND

(MODIFIED CASH BASIS)

JUNE 30, 2004

<u>ASSETS</u>	<u>Agency Fund</u>
<u>Cash</u> :-Note 13	
Clearing	853,465
Escrow	4,246,201
Louisiana asset management pool-Note 12	8,309,363
Due from other governments	<u>11</u>
Total assets	<u>13,409,040</u>
<u>LIABILITIES</u>	
Refunds due-Note 7	5,044
Sales tax paid under protest-Note 5	10,784,912
Miscellaneous escrow-Note 6	48,379
Interest escrow	1,717,240
Due to other fund-Note 4	3,000
Due to other governments-Note 8	<u>850,465</u>
Total liabilities	<u>13,409,040</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, 2004

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 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:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Commission's overall financial position and results of operations.

2. Summary of Significant Accounting Policies (Continued)

- Financial statements prepared using full accrual accounting for all of the Commission's capital assets.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The Commission is required to implement the general provisions of the Statement in the current year.

The following is a summary of certain significant accounting policies:

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 the 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 resource 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.

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 – 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.

2. Summary of Significant Accounting Policies (Continued)

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:

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.

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 for the accumulation of employee contributions to a deferred compensation plan. 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 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 incurred. 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, and Rodessa, 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.

2. Summary of Significant Accounting Policies (Continued)

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.

Charges for Services (Fees)

The Commission collects sales taxes for Blanchard, Vivian, Oil City, Mooringsport, Greenwood, Rodessa, 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.

2. Summary of Significant Accounting Policies (Continued)

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.

Property and Equipment

Property and equipment acquired with an original cost of at least \$50 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

3. Property and Equipment

The following is a summary of changes in property and equipment for the year ended June 30, 2004:

	<u>Balance</u> <u>July 1, 2003</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2004</u>
Land	60,228	-	-	60,228
Building	544,658	-	-	544,658
Improvements	9,996	-	-	9,996
Equipment	<u>285,211</u>	<u>60,997</u>	-	<u>346,208</u>
Total cost	900,093	60,997	-	961,090
Accumulated depreciation	<u>(339,636)</u>	<u>(42,089)</u>	-	<u>(381,725)</u>
Property and equipment, net	<u>560,457</u>	<u>18,908</u>	-	<u>579,365</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, 2004, 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>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 $\frac{1}{3}$ % 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 \$489,000; its total current year payroll amounted to approximately \$497,000 for the year ended June 30, 2004.

9. Retirement Plan (Continued)

Contributions Required and Made

Employees of the Commission are required to pay 5.00% 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 9.15% of its gross payroll to the plan. Effective October 1, 1999, 5.1% out of the 9.15% is contributed to the traditional plan. The remaining 4.05% is contributed under plan provisions to the combination of employee savings plans and employee 401 plans to encourage employees to defer and contribute their additional 4.00%. Effective October 1, 2002, the 4.05% contribution to the 401 plan was discontinued. The Commission contributes the total 9.15% to the traditional plan. Three-year trend information follows:

	June 30, <u>2004</u>	June 30, <u>2003</u>	June 30, <u>2002</u>
Required contribution	44,700	41,800	45,100
Actual contribution	44,700	41,800	45,100
As a percentage of covered payroll	9.15%	9.15%	9.15%

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 2003 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 2003 and as of June 30, 2004, 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 40% and 60%, respectively. The cost to the Commission was approximately \$57,000 for the year ended June 30, 2004.

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, 2004, totaled approximately \$42,000.

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

11. Deferred Compensation Plan (Continued)

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 a fair value of \$19,408 at June 30, 2004 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, 2004, the Commission had on deposit with financial institutions bank balances totaling \$5,438,590. This amount was insured by deposit insurance of \$100,000; the excess was entirely collateralized with securities held by the financial institution in the Commission's name.

OTHER REPORTS

July 29, 2004

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

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited the financial statements of Caddo-Shreveport Sales and Use Tax Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated July 29, 2004. 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 financial statements of Caddo-Shreveport Sales and Use Tax Commission are 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 Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements 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 statements 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 and use 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, LLP

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

We have audited the financial statements of Caddo-Shreveport Sales and Use Tax Commission as of and for the year ended June 30, 2004, and have issued our report thereon dated July 29, 2004. 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, 2004 resulted in an unqualified opinion.

Section I - Summary of Auditor's Reports

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

Internal Control - No reportable conditions were noted; no management letter was issued.

Compliance - No material noncompliance was noted.

b. Federal Awards - None

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2004

There were no findings as a result of the June 30, 2003 audit.

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR CURRENT YEAR FINDINGS

YEAR ENDED JUNE 30, 2004

There were no findings as a result of the June 30, 2004 audit.