

CADDO-SHREVEPORT SALES AND

USE TAX COMMISSION

SHREVEPORT, LOUISIANA

JUNE 30, 2017

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SHREVEPORT, LOUISIANA

TABLE OF CONTENTS

AUDITED FINANCIAL STATEMENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis (Unaudited)	3-6
Audited Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position (Modified Cash Basis)	7
Statement of Activities (Modified Cash Basis)	8
Fund Financial Statements:	
Balance Sheet-Governmental Funds (Modified Cash Basis)	9
Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds (Modified Cash Basis)	10-11
Budgetary Comparison Statement-General Fund (Modified Cash Basis)	12
Statement of Fiduciary Net Position-Agency Fund (Modified Cash Basis)	13
Notes to the Financial Statements	14-22

SUPPLEMENTARY INFORMATION

Supplementary Information in Accordance with Louisiana Revised Statute 24:513(A)(3)	23
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OTHER REPORTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Schedule of Findings and Questioned Costs	26
Schedule of Prior Year Findings	27
Management's Corrective Action Plan for Current Year Findings	28

AUDITED FINANCIAL STATEMENTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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October 17, 2017

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying modified cash basis 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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities and each major fund of the Caddo-Shreveport Sales and Use Tax Commission, as of June 30, 2017, and the respective changes in modified cash basis financial position, and the respective modified cash basis budgetary comparison statement for the general fund for the year then ended, in accordance with the basis of accounting described in Note 2.

Basis of Accounting

As described in Note 2, the financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the basic financial statements of Caddo-Shreveport Sales and Use Tax Commission. The management's discussion and analysis information on Pages 3 through 6 is presented for purposes of additional analysis and is not a required part of the basic modified cash basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The information on Page 23 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole, on the basis of accounting described in Note 2.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2017 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

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, 2017 and 2016. Please read it in conjunction with the Commission's financial statements, which begin on Page 7.

FINANCIAL HIGHLIGHTS

The Commission's net position decreased by \$32,141 or 6.1%.

The Commission's total revenues were \$1,009,311 in 2017 compared to \$1,032,267 in 2016.

During the year ended June 30, 2017, the Commission had total expenses, including depreciation, of \$1,041,452.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position 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 Position 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 Position 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 position* and changes in them. The Commission's net position - 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 position are one indicator of whether its financial health is improving or deteriorating.

In the Statement of Net Position 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 Position 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 position changed from a year ago, decreasing from \$523,816 to \$491,475. Our analysis below focuses on key elements of the total funds for the 2017 and 2016 fiscal years.

**Table 1
Net Position**

	<u>Government-Wide Activities</u>	
	<u>2017</u>	<u>2016</u>
Current assets	151,942	177,127
Capital assets	<u>341,808</u>	<u>348,308</u>
Total assets	493,750	525,435
Current liabilities	<u>2,275</u>	<u>1,819</u>
Total liabilities	2,275	1,819
Net position:		
Investments in capital assets	341,808	348,308
Restricted for capital projects	46,243	40,326
Unrestricted	<u>103,424</u>	<u>134,982</u>
Total net position	<u><u>491,475</u></u>	<u><u>523,616</u></u>

Net position of the funds maintained by the Commission decreased by \$32,141 or 6.1%.

**Table 2
Changes in Net Position**

	<u>Government-Wide Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues		
Charges for services	374,311	368,267
Intergovernmental	<u>635,000</u>	<u>664,000</u>
Total revenues	1,009,311	1,032,267
Expenses		
General governmental	<u>1,041,452</u>	<u>1,034,050</u>
(Decrease) in net position	<u><u>(32,141)</u></u>	<u><u>(1,783)</u></u>

For the funds maintained by the Commission, total revenues decreased \$22,956 during 2017. This reflected an overall decline in intergovernmental transfers from the City of Shreveport and Caddo Parish School Board, offset by an increase in charges for services.

In addition, total expenses increased by \$7,402 during 2017, mainly resulting from higher professional fees.

CAPITAL ASSETS

At the end of 2017, the Commission had invested \$341,808 in capital assets, net of accumulated depreciation, from those funds maintained by the Commission.

**Table 3
Capital Assets at Year End**

	<u>Government-Wide Activities</u>	
	<u>2017</u>	<u>2016</u>
Equipment	303,156	295,991
Land	60,228	60,228
Building and improvements	<u>554,654</u>	<u>554,654</u>
	918,038	910,873
<u>Less-accumulated depreciation</u>	<u>(576,230)</u>	<u>(562,565)</u>
	<u><u>341,808</u></u>	<u><u>348,308</u></u>

Major additions included:

Telephone system	-	11,662
Computers and related equipment	17,231	-
Other equipment	<u>-</u>	<u>1,373</u>
Total	<u><u>17,231</u></u>	<u><u>13,035</u></u>

It is anticipated that the Commission's net position will generally hold steady in 2018. The Commission has added no major new programs or initiatives to be funded in 2018.

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 POSITION

(MODIFIED CASH BASIS)

JUNE 30, 2017

<u>A S S E T S</u>	<u>Primary Governmental Activities</u>
<u>Cash:</u>	
Operating	100,834
Capital reserve	46,243
Payroll	1,865
Due from other funds	3,000
Property and equipment, net of depreciation	<u>341,808</u>
Total assets	493,750
 <u>LIABILITIES</u>	
Miscellaneous payables	2,275
 <u>NET POSITION</u>	
Net investment in property and equipment	341,808
Restricted for capital projects	46,243
Unrestricted	<u>103,424</u>
Total net position	<u>491,475</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, 2017

<u>Primary Government Programs</u>	<u>Expenses</u>	<u>Program Revenues- Charges for Services</u>	<u>Net (Expense) Revenue and Change in Net Position</u>
General government-collection of sales tax	<u>1,041,452</u>	<u>374,311</u>	(667,141)
General revenues: Intergovernmental operating			<u>635,000</u>
Change in net position			(32,141)
Net position-July 1, 2016			<u>523,616</u>
Net position-June 30, 2017			<u>491,475</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, 2017

<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 11</u>			
Operating	100,834	-	100,834
Capital reserve	-	46,243	46,243
Payroll	1,865	-	1,865
Due from other fund-Note 4	<u>3,000</u>	<u>-</u>	<u>3,000</u>
Total assets	<u>105,699</u>	<u>46,243</u>	<u>151,942</u>
 <u>LIABILITIES AND FUND EQUITY</u>			
<u>Liabilities:</u>			
Miscellaneous payables	<u>2,275</u>	<u>-</u>	<u>2,275</u>
Total liabilities	<u>2,275</u>	<u>-</u>	<u>2,275</u>
 <u>Fund equity:</u>			
Fund balance-assigned	-	46,243	46,243
Fund balance-unassigned	<u>103,424</u>	<u>-</u>	<u>103,424</u>
Total fund equity	<u>103,424</u>	<u>46,243</u>	<u>149,667</u>
Total liabilities and fund equity	<u>105,699</u>	<u>46,243</u>	<u>151,942</u>

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

Total fund equity of governmental funds 149,667

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.

341,808

Total net position of governmental activities

491,475

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, 2017

	<u>Governmental Funds</u>		
	<u>General</u>	<u>Capital Projects</u>	<u>Total</u>
<u>Revenues:</u>			
Intergovernmental operating	635,000	-	635,000
Charges for services	327,359	-	327,359
Charges for litigation	44,420	-	44,420
Miscellaneous	<u>2,532</u>	<u>-</u>	<u>2,532</u>
Total revenues	1,009,311	-	1,009,311
<u>Expenditures:</u>			
Personnel services-Note 9	758,032	-	758,032
Operating services	60,283	-	60,283
Professional services	168,717	-	168,717
Insurance	9,607	-	9,607
Supplies	7,247	-	7,247
Travel	13,837	-	13,837
Capital expenditures-Note 3	<u>4,523</u>	<u>12,708</u>	<u>17,231</u>
Total expenditures	<u>1,022,246</u>	<u>12,708</u>	<u>1,034,954</u>
<u>Excess (deficit) of revenues over expenditures</u>	(12,935)	(12,708)	(25,643)
<u>Other operating financing sources (uses):</u>			
Operating transfers in (out)	<u>(18,625)</u>	<u>18,625</u>	<u>-</u>
Total other operating financing sources (uses)	<u>(18,625)</u>	<u>18,625</u>	<u>-</u>
<u>Excess (deficit) of revenues and other sources over expenditures and other uses for operations</u>	(31,560)	5,917	(25,643)
<u>Fund balance-July 1, 2016</u>	<u>134,984</u>	<u>40,326</u>	<u>175,310</u>
<u>Fund balance-June 30, 2017</u>	<u>103,424</u>	<u>46,243</u>	<u>149,667</u>

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, 2017

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

Net change in fund balance-governmental funds	(25,643)
The governmental funds report purchases of fixed assets as expenditures. However, for purposes of governmental activities, such payments are capitalized as property and equipment.	17,231
The governmental funds do not report depreciation of property and equipment. However, for purposes of governmental activities, depreciation is reported as an expense.	(23,731)
Rounding	<u>2</u>
Change in net position of governmental activities	<u><u>(32,141)</u></u>

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

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

BUDGETARY COMPARISON STATEMENT-GENERAL FUND

(MODIFIED CASH BASIS)

YEAR ENDED JUNE 30, 2017

	<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	875,800	875,800	635,000	(240,800)
Charges for services	320,000	320,000	327,359	7,359
Charges for litigation	-	-	44,420	44,420
Miscellaneous	-	-	<u>2,532</u>	<u>2,532</u>
Total revenues	<u>1,195,800</u>	<u>1,195,800</u>	<u>1,009,311</u>	<u>(186,489)</u>
<u>Expenditures:</u>				
Personnel services	796,800	798,900	758,032	40,868
Operating services	75,600	76,050	60,283	15,767
Professional services	258,000	258,000	168,717	89,283
Insurance	11,900	11,900	9,607	2,293
Supplies	11,500	11,500	7,247	4,253
Travel	17,000	17,000	13,837	3,163
Operating reserve	20,000	17,450	-	17,450
Capital expenditures	<u>5,000</u>	<u>5,000</u>	<u>4,523</u>	<u>477</u>
Total expenditures	<u>1,195,800</u>	<u>1,195,800</u>	<u>1,022,246</u>	<u>173,554</u>
<u>Excess of revenues over expenditures (expenditures over revenues)</u>				
	-	-	(12,935)	(12,935)
<u>Other operating financing sources (uses):</u>				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>(18,625)</u>	<u>(18,625)</u>
Total other operating financing sources (uses)	<u>-</u>	<u>-</u>	<u>(18,625)</u>	<u>(18,625)</u>
<u>Excess (deficit) of revenues and other sources over expenditures and other uses for operations</u>				
	<u>-</u>	<u>-</u>	<u>(31,560)</u>	<u>(31,560)</u>

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

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

STATEMENT OF FIDUCIARY NET POSITION-AGENCY FUND

(MODIFIED CASH BASIS)

JUNE 30, 2017

<u>A S S E T S</u>	<u>Agency Fund</u>
<u>Cash:-Note 11</u>	
Clearing	219,827
Escrow	1,328,745
Louisiana asset management pool	21,014
Due from other governments	<u>4,462</u>
Total assets	<u>1,574,048</u>
 <u>LIABILITIES</u>	
Refunds due-Note 7	1,262,694
Sales tax paid under protest-Note 5	20,837
Miscellaneous escrow-Note 6	16,243
Interest escrow	54,447
Due to other fund-Note 4	3,000
Due to other governments-Note 8	<u>216,827</u>
Total liabilities	<u>1,574,048</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, 2017

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 financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principals generally accepted in the United States of America (GAAP) as established by the Governmental Accounting Standards Board. This basis of accounting involves modifications to the cash basis of accounting to report in the statement of net position or balance sheet cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include receivables, capital assets, and short-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid), are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event (such as postemployment benefit obligations) are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

The following is a summary of certain significant accounting policies:

2. Summary of Significant Accounting Policies (Continued)

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 financial statements (GWFS) (reporting all the activities of 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.

The content and certain titles of the GWFS were changed upon the adoption by the Commission in 2013 of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides reporting guidance for deferred outflows of resources and deferred inflows of resources, and adds them, when applicable, as elements of the GWFS, because they are distinct from assets and liabilities. In addition, because these additional elements may affect the residual amount of all of the elements presented in a statement of financial position, GASB 63 renames that measure as net position rather than net assets.

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

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 position 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.

2. Summary of Significant Accounting Policies (Continued)

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. 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 and equipment 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, the Shreveport-Bossier Convention and Tourist Bureau, North Caddo Hospital District, Caddo Parish Fire District #1, Regional Air Service Alliance, Shreveport-Bossier Sports Commission, and Independence Bowl Foundation, 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, Ida, Caddo Parish Sales Tax District #1, Caddo Parish Law Enforcement District, North Caddo Hospital District, Caddo Parish Fire District #1, and the use and occupancy taxes on hotel and motel rooms for the Shreveport-Bossier Convention and Tourist Bureau, Regional Air Service Alliance, Shreveport-Bossier Sports Commission, and Independence Bowl Foundation. 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 operating 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 \$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

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

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.
- **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, 2017:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Land	60,228	-	-	60,228
Building	544,658	-	-	544,658
Improvements	9,996	-	-	9,996
Equipment	<u>295,991</u>	<u>17,231</u>	<u>(10,066)</u>	<u>303,156</u>
Total cost	910,873	17,231	(10,066)	918,038
Accumulated depreciation	<u>(562,565)</u>	<u>(23,731)</u>	<u>10,066</u>	<u>(576,230)</u>
Property and equipment, net	<u>348,308</u>	<u>(6,500)</u>	<u>-</u>	<u>341,808</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, 2017, 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 3.33% of average compensation (2.75% of average compensation earned after December 31, 2014) 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 \$469,000; its total current year payroll amounted to approximately \$515,400 for the year ended June 30, 2017.

9. **Retirement Plan** (Continued)

Contributions Required and Made

Employees of the Commission are required to pay 11.00% (10.00% until January 1, 2016) 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 20.00% (16.50% until January 1, 2016) of its gross covered payroll to the plan. This rate will increase to 25.00% January 1, 2018. Three-year trend information follows:

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>	<u>June 30,</u> <u>2015</u>
Required contribution	93,427	91,828	76,967
Actual contribution	93,427	91,828	76,967
As a percentage of covered payroll	20.00%	18.15%	14.83%

Funding Status and Progress

The amount of the total pension benefit obligation is based on a standardized measurement established by GASB 68 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 2016 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 2016 and as of June 30, 2017, the City of Shreveport PERS held no securities issued by the Commission.

Hospitalization, dental, 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 \$142,000 for the year ended June 30, 2017.

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, 2017, totaled approximately \$79,300.

11. **Cash**

As of June 30, 2017, the Commission had on deposit with financial institutions bank balances totaling \$1,729,759. 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.

12. Other Post-Employment Benefits

In addition to the pension benefits described in Note 9, the Commission pays 50% of the premiums for post-employment health care benefits, in accordance with ordinances of the City of Shreveport, to all Commission retirees for the remainder of their lives. Expenditures for these premiums are generally made monthly, and amounted to approximately \$43,000 for the year ended June 30, 2017 for the seven participant retirees. The obligation for payment of health care benefits rests with the insurance company, and the Commission does not guarantee benefits in the event of the insurance company's insolvency.

13. Budget Variances

Total revenues of \$1,009,311 were less than the budgeted amount by \$186,489 or 15.6% because total expenditures and other operating financing uses of \$1,040,871 also were under-budget by \$154,929, making it possible for the Commission to reduce its intergovernmental operating draws.

14. 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, 2017 amounted to \$219,774,911 in sales taxes, and \$3,409,616 in occupancy taxes. Total distributions to each taxing authority for the fiscal year ended June 30, 2017 are shown in the following table:

Sales Taxes

Caddo Parish School Board	72,849,296
Law Enforcement District of Caddo	16,959,883
Sales Tax District No. 1	9,060,084
City of Shreveport	116,251,612
Town of Vivian	1,230,897
Town of Oil City	155,765
Town of Mooringsport	36,265
Town of Greenwood	437,788
Village of Rodessa	12,551
Town of Blanchard	215,884
Village of Ida	19,125
North Caddo Hospital District	1,099,578
Caddo Parish Fire District No. 1	<u>1,456,567</u>
	219,785,295

Occupancy Taxes

Shreveport-Bossier Convention and Tourist Bureau	1,725,188
City of Shreveport	431,298
City of Bossier City	431,298
Ark-La-Tex Regional Air Service Alliance	287,021
Shreveport-Bossier Sports Commission	287,021
Independence Bowl Foundation	<u>287,021</u>
	<u>3,448,847</u>

Total distributed 223,234,142

SUPPLEMENTARY INFORMATION

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION
SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH
LOUISIANA REVISED STATUTE 24:513(A)(3)
SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED JUNE 30, 2017

Agency Head: Gail B. Howell, Administrator

Salary	77,928
Benefits-insurance-health and life	13,825
Benefits-retirement	15,586
Travel	1,978
Registration fees	700
Conference travel	1,452

OTHER REPORTS

HEARD, McELROY, & VESTAL

LLC

CERTIFIED PUBLIC ACCOUNTANTS

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October 17, 2017

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

Independent Auditor's 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis 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, 2017, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated October 17, 2017.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2017

We have audited the modified cash basis financial statements of Caddo-Shreveport Sales and Use Tax Commission as of and for the year ended June 30, 2017, and have issued our report thereon dated October 17, 2017. 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, 2017 resulted in an unmodified opinion.

A. Summary of Auditor's Reports

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

Internal Control - No material weaknesses or significant deficiencies were noted.

Compliance - No material noncompliance was noted.

b. Federal Awards – None

B. Findings – Financial Statement Audit

None

C. Findings – Major Federal Award Programs

Not Applicable

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

SCHEDULE OF PRIOR YEAR FINDINGS

YEAR ENDED JUNE 30, 2017

There were no findings as a result of the June 30, 2016 audit.

CADDO-SHREVEPORT SALES AND USE TAX COMMISSION

MANAGEMENT'S CORRECTIVE ACTION PLAN

FOR CURRENT YEAR FINDINGS

YEAR ENDED JUNE 30, 2017

There were no findings as a result of the June 30, 2017 audit.

HEARD, McELROY, & VESTAL

LLC

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December 12, 2017

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

Louisiana Legislative Auditor
Baton Rouge, Louisiana

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below, which were agreed to by Caddo-Shreveport Sales and Use Tax Commission (CSSUTC) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. CSSUTC's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) Budgeting, including preparing, adopting, monitoring, and amending the budget.
The entity has written policies and procedures that adequately address the budget function.
 - b) Purchasing, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase

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orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Although written procedures exist, they do not address these requirements.

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

The entity does not have written policies or procedures dealing with disbursements.

- d) Receipts, including receiving, recording, and preparing deposits.

The entity has written procedures covering the handling of sales tax receipts, but not other operating receipts.

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

The entity has written procedures covering payroll, but these do not address review and approval of time and attendance records

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

The entity does not have written policies or procedures concerning contracting.

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

Not applicable, as the entity does not use credit, debit, fuel, or purchase cards.

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

The entity has policies and procedures dealing with travel and expense reimbursements, but they do not address documentation requirements or required approvers.

- i) Ethics, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.

Although the entity has policies and procedures covering ethics, they do not address a system to monitor ethics violations or a requirement to annually attest to the reading of the entity's ethics policy.

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

Not applicable, as the entity does not have the authority to issue debt.

Board (or Finance Committee, if applicable)

2. Obtain and review the board/committee minutes for the fiscal period, and:

- a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.

The entity's Board of Commissioners met quarterly, in accordance with its charter.

- b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).

➤ If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.

Each meeting's minutes refer to budget-to-actual financial statement comparisons. No deficit spending took place during the fiscal year.

- c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

At least one meeting's minutes referenced non-budgetary financial information.

Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

A list of bank accounts was obtained from management.

4. Using the listing provided by management, select all of the entity's bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:

- a) Bank reconciliations have been prepared;

Bank reconciliations were prepared for all three accounts for each month in the fiscal year.

- b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and

All bank reconciliations evidenced review by an independent member of management.

- c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

No reconciling items greater than 6 months old were noted.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

A listing of cash collection locations was obtained.

6. Using the listing provided by management, select all of the entity's cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). For each cash collection location selected:

- a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed

by an outside party), and (3) not required to share the same cash register or drawer with another employee.

Each person responsible for handling cash is insured. Each person responsible for collecting cash does not deposit the cash in the bank, record the cash transaction, reconcile the related bank account, or share the cash drawer with another employee.

- b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.

The entity has a formal process to reconcile cash collections to related sales tax returns and operating various revenue billings by an independent individual.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.

No exceptions were noted.

- Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.

No exceptions were noted.

7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Processes are in place to determine that all operating and sales tax collections are complete.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.

A listing of disbursements made during the year was obtained.

9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:

- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.

The entity uses a purchase order system, which separates the initiation and approval functions, only for purchases of fixed assets or improvements to property; but not for supplies, services, or other recurring expenses. All invoices and related support, such as shipping documents, are approved for payment, but the approving individuals also may initiate the purchase.

- b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

All purchase orders were approved, but the same individuals also may initiate the purchase.

- c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.

All payments for purchases were supported by an approved invoice and when applicable, related shipping documents. As noted above, not all purchases are required to have a purchase order. The entity does not use formal receiving reports.

10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

The same individual responsible for processing payments also is responsible for adding vendors to the entity's disbursement system.

11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.

Individuals with signatory authority also may initiate purchases, but may not record them.

12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.

The supply of unused checks is kept in a locked, fireproof cabinet under the custody of an individual with no check signing authority.

13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

The entity does not use a signature stamp or signature machine.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

Management represented to us that the entity has not issued any credit cards, debit cards, fuel cards or purchase cards to any board member or staff.

15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:

- a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder.

Not applicable.

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

Not applicable.

16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).

- a) For each transaction, report whether the transaction is supported by:

- An original itemized receipt (i.e., identifies precisely what was purchased)
- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
- Other documentation that may be required by written policy (e.g., purchase order, written authorization.)

Not applicable.

- b) For each transaction, compare the transaction's detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity's written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.

Not applicable.

- c) For each transaction, compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any

exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Not applicable.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management's representation that the listing or general ledger is complete.

A listing of all travel and related expense reimbursements, by person, during the fiscal year was obtained from the general ledger.

18. Obtain the entity's written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.

The entity uses the guidelines of the State of Louisiana to reimburse travel and meals. The rates included in the entity's policy and for reimbursement did not exceed those stated in the guidelines.

19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:

- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.

No exceptions were noted.

- b) Report whether each expense is supported by:

- An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
- Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance).

No exceptions were noted.

- c) Compare the entity's documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

No exceptions were noted.

- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions were noted.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management's representation that the listing or general ledger is complete.

A listing of all contracts in effect during the year was obtained.

21. Using the listing above, select the five contract "vendors" that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:

- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.

A formal written contract supports the service arrangement and amount paid for each vendor selected.

- b) Compare each contract's detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
- If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.

No contract selected was subject to the Louisiana Public Bid Law or Procurement Code.

- c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.

No contract selected was amended.

- d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

The invoice and related payment of each selected contract complied with its terms.

- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Not applicable.

Payroll and Personnel

22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management's representation that the listing is complete.

A listing of all employees and their related compensation was obtained.

Randomly select five employees/officials, obtain their personnel files, and:

- a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.

Compensation paid to each selected employee was made in accordance with the terms and conditions of his contract or pay rate structure.

- b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.

Pay rate or salary changes applicable to each selected employee were approved in writing and in accordance with written policy.

- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:

- a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)

All applicable employees documented their daily attendance and leave.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

Written documentation of approved attendance and leave records of all applicable employees is maintained.

- c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

The entity maintained written leave records on all applicable employees tested.

- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management's representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.

A listing of all employees that terminated during the fiscal year was obtained. Their termination payments conformed to policy and were approved by management.

25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

All employee and employer portions for payroll taxes and contributions, and related required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.

Documentation demonstrating that required ethics training was completed was maintained on all selected employees.

27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Management represented that no alleged ethics violations were reported to the entity during the fiscal year.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

Management represented that the entity does not have the authority to issue debt.

29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.

Not applicable.

30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Not applicable.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

Management represented that the entity had no misappropriations of public funds or assets during the fiscal year.

32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.lla.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

We observed the notice posted on the entity's website and on its premises.

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

Not applicable.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

Heard, McElroy & Vestal, LLC

Shreveport, Louisiana