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Lincoln Parish Sales And Use Tax Commission

Financial Statements For the Year Ended June 30, 2006

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 12-6-06

Douglas A. Brewer, LLC
Certified Public Accountant

Lincoln Parish Sales And Use Tax Commission
Financial Statements
For the Year Ended June 30, 2006

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**Lincoln Parish Sales And Use Tax Commission
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

The Management's Discussion and Analysis of the Lincoln Parish Sales And Use Tax Commission's (The Commission) financial performance presents a narrative overview and analysis of Lincoln Parish Sales And Use Tax Commission's financial activities for the year ended June 30, 2006. The document focuses on the current year's activities, resulting changes, and currently known facts within the context of the accompanying basic financial statements and disclosures. We encourage readers to consider the information presented here in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

The Commission had cash of \$61,940 at June 30, 2006. Taxes paid in protest amounted to \$23,696. For the year ended June 30, 2005, the Commission had \$144,833 in total cash, and of this, \$141,526 was held in protest.

The Commission remitted \$26,553,716 and 23,126,893 in taxes and interest to its member agencies for the fiscal years ended June 30, 2006 and 2005. This represents a increase of \$3,426,823, or 12.91% from the previous year.

Operating expenses were approximately .76% and .86% of tax collections for the fiscal years ending June 30, 2006 and 2005.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special purpose Governments engages in fiduciary activities, established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements-and Management's Discussion and analysis-for State and Local Governments.

Management's Discussion and Analysis

Basic Financial Statements

Notes to Financial Statements

The basic financial statements present information for the Commission as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Fiduciary Net Assets – Modified Cash Basis, and the Statement of Changes in Fiduciary Net Assets – Modified Cash Basis.

**Lincoln Parish Sales And Use Tax Commission
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

The notes provide additional information that is essential to a full understanding of the basic financial statements.

FINANCIAL STATEMENTS ANALYSIS OF THE ENTITY

The following are condensed financial statements of the Commission:

Statement of Fiduciary Net Assets

	June 30,	
	2006	2005
Assets		
Cash	\$ 61,940	\$ 144,933
Amounts due from agencies and others	-	16,767
Total Assets	\$ 61,940	\$ 161,700
Liabilities And Net Assets		
Accounts Payable and undistributed funds	\$ 8,058	\$ 10,409
Amounts due to agencies	4,530	9,765
Taxes and interest held in protest	30,186	141,526
Total Liabilities	61,940	161,700
Total Net Assets	-	-
Total Liabilities and Net Assets	\$ 61,940	\$ 161,700

**Lincoln Parish Sales And Use Tax Commission
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

Statement of Changes in Fiduciary Net Assets

	June 30,	
	2006	2005
Additions		
Sales and Other Taxes	\$ 25,915,493	\$ 22,717,250
Sales tax audits	623,522	552,932
Operating expense reimbursements	207,507	200,929
Other additions	43,086	34,036
Total Additions	26,789,608	23,505,147
Distributions & Disbursements		
Distributions to agencies	26,553,716	23,126,893
Operating expenses	202,042	201,960
Audit & legal fees	76,163	22,945
Refunds, charges & other	57,447	118,704
Total Distributions & Disbursements	26,872,601	23,470,502
Additions less distributions & disbursements	(99,760)	34,645
Undistributed balances at beginning of year	161,700	127,055
Undistributed balances at beginning of year	\$ 61,940	\$ 161,700

ECONOMIC FACTORS

The local economy has remained fairly stable for the past few years and is expected to remain that way for the near future. The sales tax base of the area should continue to grow with the current development of the I-20 service road area. Having two state universities in the parish helps keep the local economy stable as well.

**Lincoln Parish Sales And Use Tax Commission
Management's Discussion and Analysis
For the Year Ended June 30, 2006**

CONTACTING THE COMMISSISON'S MANAGEMENT

This financial report is designed to provide a general overview of the Lincoln Parish Sales and Use Tax Commission's fiduciary activities. If you have questions about this report or need additional financial information, contact Jerry W. Moore, Administrator, at (318) 251-8624.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Lincoln Parish Sales and Use Tax Commission
Ruston, Louisiana

I have audited the accompanying financial statements of the Lincoln Parish Sales and Use tax Commission as of June 30, 2006, and for the year ended then. These financial statements are the responsibility of the Lincoln Parish Sales and Use Tax Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, the Lincoln Parish Sales and Use Tax Commission prepares its financial statements on the modified cash basis of accounting. This basis of accounting is a comprehensive basis of accounting other than generally accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Parish Sales and Use Tax Commission as of June 30, 2006, and the changes in its undistributed balances for the year then ended on the basis of accounting described in Note 1.

The management's discussion and analysis on pages 1 to 4 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. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I also issued my report dated October 23, 2006, on my consideration of the Commission's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read with this report in considering the results of my audit.

Daylen A. Brennan, LLC

October 23, 2006
Ruston, Louisiana

Lincoln Parish Sales And Use Tax Commission
Statement of Fiduciary Net Assets
Modified Cash Basis
For the Year Ended June 30, 2006

ASSETS

Cash	\$ 61,940
Total Assets	\$ 61,940

LIABILITIES AND NET ASSETS

Accounts Payable and undistributed funds	\$ 8,058
Due to participating agencies - interest income held for future distribution to:	
City of Ruston	8,952
Lincoln Parish Police Jury	5504
Lincoln Parish School Board	14,670
City of Grambling	499
Town of Dubach	195
Village of Choudrant	301
Ruston/Lincoln Convention & Visitors Bureau	65
Taxes and interest held in protest	23,696
Total Liabilities	61,940
 Net Assets	 -
 Total Liabilities and Net Assets	 \$ 61,940

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

Lincoln Parish Sales And Use Tax Commission
Statement of Changes in Fiduciary Net Assets
Modified Cash Basis
For the Year Ended June 30, 2006

Additions:

Sales and use tax	\$ 25,560,166
Hotel/Motel tax	350,649
Excise tax	4,678
Sales and use tax audits	548,277
Audit fees collected	75,245
Reimbursement for operating expenses	207,507
Legal fees and court costs collected	8,325
Miscellaneous	1,867
Interest received	32,894
Total Additions	26,789,608

Distributions:

City of Ruston	7,620,652
Lincoln Parish Police Jury	4,904,490
Lincoln Parish School Board	13,054,358
City of Grambling	405,493
Town of Dubach	62,520
Village of Choudrant	155,485
Ruston/Lincoln Convention & Visitors Bureau	350,718
Total Distributions	26,553,716

Other Disbursements:

Operating expenses	202,042
Audit fees	72,588
Legal fees	3,575
Refunds, bank service charges, and other	57,447
Total Other Disbursements	335,652

Additions less distributions and other disbursements (99,760)

Undistributed balances at beginning of year 161,700

Undistributed balances at end of year **\$ 61,940**

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

Lincoln Parish Sales And Use Tax Commission
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Lincoln-Ruston Sales and Use Tax Division was created as a joint venture of the City of Ruston and Lincoln Parish School Board in 1967 to serve as an agency for the collection of sales and use taxes levied by the two authorities. In 1975, the Lincoln Parish Police Jury became a participant in the venture. In 1992, the City of Grambling and the Town of Dubach became participating agencies in this venture. The Lincoln Parish Sales and Use Tax Commission (the Commission) was then created in December 1993. The Village of Choudrant became a participant in 2003.

The Cooperative Endeavor Agreement authorizes the Commission as the single tax collector for the parish, to enter into agreements with any other public bodies located within Lincoln Parish for the collection of any sales and use taxes and hotel/motel taxes authorized by such other public bodies, beginning January 1, 1994. The operations of the Commission are under the direction of an administrator appointed by the six participating agencies. The appointment of the administrator can be revoked by a majority vote of the six agencies. The six agencies established the Commission composed of eight members, two from the City of Ruston, Lincoln Parish School Board, and Lincoln Parish Police Jury, and one member each from the City of Grambling, Town of Dubach, and Village of Choudrant.

The Commission has the authority and is empowered to collect, enforce and administer the respectable sales and use taxes and hotel/motel taxes of the various parties to this agreement. By mutual consent, these five authorities and the Ruston/Lincoln Convention and Visitors Bureau share in the costs of operation of the Commission and is subsequently reimbursed, on a monthly basis, by the City of Ruston, Lincoln Parish School Board, Lincoln Parish Police Jury, City of Grambling, Town of Dubach, Village of Choudrant, and the Ruston/Lincoln Convention and Visitors Bureau for their prorate share each. The Commission generates no revenue, but is simply a conduit for revenues of the participating agencies.

In April 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. In November 1984, GASB issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for the state and local government.

Lincoln Parish Sales And Use Tax Commission
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Commission adopted the provisions of GASB Statement No. 34 Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments. Statement No. 34 established standards for external reporting for all state and local governmental entities. The Commission is a special-purpose government. It is considered a joint cooperative endeavor of the participating governmental units and, therefore issues financial statements separate from the participants and their governmental components.

A. Fund Accounting

The accounts of the Commission are organized on a fund basis whereby a set of self-balancing accounts comprises its assets, liabilities, additions, distributions, and other disbursements, and other disbursements.

B. Basis of Accounting

Basis of accounting refers to when additions, distributions, and other disbursements are recognized in the accounts and reported in the financial statements and also to the timing of the measurements made, regardless of the measurement focus applied. The modified cash basis of accounting is followed by the Commission in recording additions, distributions, and other disbursements as follows:

Additions

Sales and use tax collections, interest earned on deposits, and other cash receipts are recorded in the month received by the Commission.

Distributions

Distributions are recorded in the month transferred to the recipient bodies with the exception of interest, which is accrued at year end and distributed in the first month of the next fiscal year.

Disbursements

Operating expenses, audit fees, refunds, and other cash disbursements are recorded in the month paid by the Commission.

Lincoln Parish Sales And Use Tax Commission
Notes to Financial Statements
For The Year Ended June 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Cash and Cash Equivalents

For reporting purposes, cash represents interest bearing demand deposits. Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of any other state in the union, or the laws of the United States. Further, the Commission may invest in the deposits or certificates of deposit of state banks organized under Louisiana law and national banks having principle offices in Louisiana.

D. Sales and Use Taxes – Distribution of Funds

Sales and use tax collections are distributed monthly based on the tax rates levied by each governmental body. At June 30, 2006, the following rates were in effect:

City of Ruston	1.75%
Lincoln Parish Police Jury	.75%
Lincoln Parish School Board	2.00%
City of Grambling	2.00%
Town of Dubach	1.00%
Village of Choudrant	1.25%

E. Capital Assets

Agency funds under GASB Statement No. 34 generally do not hold long-lived assets for use in operations; therefore they are not included on the Fiduciary Statement of Net Assets.

NOTE 2 - CASH AND CASH EQUIVALENTS

At June 30, 2006, the Commission's had cash equivalents (book balances) as follows:

Interest-bearing demand deposits	\$ <u>61,940</u>
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These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times

Lincoln Parish Sales And Use Tax Commission
Notes to Financial Statements
For The Year Ended June 30, 2006

equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Cash and cash equivalents (bank balances) at June 30, 2006, are secured as follows:

Bank Balances	<u>\$ 70,040</u>
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The bank balances at June 30, 2006 were covered by Federal Deposit Insurance (FDIC). In addition, the financial institution has pledged securities of approximately \$3,600,000 held to cover account balances in excess of \$100,000 during each month.

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

NOTE 3 – OPERATING EXPENSES

The Commission's employees are covered under the Lincoln Parish Police Jury's benefits and retirement systems. As discussed in Note 1, the six participating agencies share the operating expenses of the Lincoln Parish Sales and Use Tax Commission on a pro rata basis. The operating expenses of the Commission for the 12 months ended June 30, 2006, were \$202,042, which is approximately .76% of tax collections.

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

To the Board of Commissioners
Lincoln Parish Sales and Use Tax Commission
Ruston, Louisiana

I have audited the basic financial statements of Lincoln Parish Sales and Use Tax Commission (the Commission), Ruston, Louisiana, as of and for the year ended June 30, 2006, and have issued my report thereon dated October 23, 2006. I conducted my 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 of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Lincoln Parish Sales and Use Tax Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My 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 reportable 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 caused by error or fraud 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. I noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the Lincoln Parish Sales and Use Tax Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations and contracts, 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 my audit and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management of the Commission, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Dylan A. Bremer, LLC

October 23, 2006
Ruston, Louisiana