

**Lincoln Parish Sales  
And Use Tax Commission**

**Financial Statements  
For the Year Ended June 30, 2011**

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 **FEB 15 2012**



**Douglas A. Brewer, LLC**  
Certified Public Accountant

**Lincoln Parish Sales and Use Tax Commission**  
**Financial Statements**  
**For the Year Ended June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying basic financial statements of the Lincoln Parish Sales and Use Tax Commission, as of and for the year ended June 30, 2011, as listed in the table of contents. These basic financial statements are the responsibility of the 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 basic 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, 2011, and the changes in its undistributed balances for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 2, 2011, on my consideration of the Commission's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Management's discussion and analysis 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, I did not audit the information and express no opinion on it.

*Douglas A. Brewer, LLC*

Ruston, Louisiana  
December 2, 2011

**Lincoln Parish Sales And Use Tax Commission  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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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, 2011. 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 \$114,752 at June 30, 2011. Of this amount, taxes paid in protest amounted to \$110,459. For the year ended June 30, 2010, the Commission had \$68,385 in total cash, and of this, \$67,930 was held in protest.

The Commission remitted \$30,065,537 and \$28,598,811 in taxes and interest to its member agencies for the fiscal years ended June 30, 2011 and 2010. This represents an increase of \$1,466,726 or 5.13% from 2010, and a decrease of \$6,346,565, or 18.17% from the 2009 fiscal year, respectively.

Operating expenses were approximately 1.97% and 1.45% of tax collections for the fiscal years ending June 30, 2011 and 2010.

**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.

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

**Lincoln Parish Sales And Use Tax Commission  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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**FINANCIAL STATEMENTS ANALYSIS OF THE ENTITY**

The following are condensed financial statements of the Commission:

**Statement of Fiduciary Net Assets**

	<b>June 30,</b>	
	<b>2010</b>	<b>2011</b>
<b>Assets</b>		
Cash	\$ 68,385	\$ 114,752
Amounts Due Participating Agencies	1,979	-
<b>Total Assets</b>	<b>\$ 70,364</b>	<b>\$ 114,752</b>
<b>Liabilities And Net Assets</b>		
Accounts Payable and undistributed funds	\$ 1,274	\$ 3,261
Amounts due to agencies	1,160	1,032
Taxes and interest held in protest	67,930	110,459
<b>Total Liabilities</b>	<b>70,364</b>	<b>114,752</b>
<b>Total Net Assets</b>	-	-
<b>Total Liabilities and Net Assets</b>	<b>\$ 70,364</b>	<b>\$ 114,752</b>

**Lincoln Parish Sales And Use Tax Commission  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

**Statement of Changes in Fiduciary Net Assets**

	June 30,	
	2010	2011
<b>Additions</b>		
Sales and Other Taxes	\$ 28,450,090	\$ 29,765,719
Sales tax audits	677,139	817,969
Operating expense reimbursements	401,933	193,520
Other additions	58,109	86,642
<b>Total Additions</b>	<b>29,587,271</b>	<b>30,863,850</b>
<b>Distributions &amp; Disbursements</b>		
Distributions to agencies	28,598,811	30,065,537
Operating expenses	414,078	583,925
Audit & legal fees	107,446	89,818
Refunds, charges & other	460,490	78,203
<b>Total Distributions &amp; Disbursements</b>	<b>29,580,825</b>	<b>30,817,483</b>
<b>Additions less distributions &amp; disbursements</b>	6,446	46,367
<b>Undistributed balances at beginning of year</b>	61,939	68,385
<b>Undistributed balances at beginning of year</b>	<b>\$ 68,385</b>	<b>\$ 114,752</b>

**BUDGETARY ANALYSIS**

The 2011/2012 budget is \$383,700, which is a decrease from 2010/2011 of \$41,330. This decrease is primarily due to updating our software and systems in the prior year.

**Lincoln Parish Sales And Use Tax Commission  
Management's Discussion and Analysis  
For the Year Ended June 30, 2011**

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**ECONOMIC FACTORS**

Because of downward trends in oil & gas explorations and the completion of several large construction projects, Lincoln Parish is experiencing downward trends in sales tax collections. The trend is nation-wide and we are unsure how long it will continue.

**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.



**Lincoln Parish Sales And Use Tax Commission**  
**Statement of Fiduciary Net Assets**  
**Modified Cash Basis**  
**For the Year Ended June 30, 2011**

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**ASSETS**

Cash	\$ 114,752
<b>Total Assets</b>	<b><u>\$ 114,752</u></b>

**LIABILITIES AND NET ASSETS**

Accounts Payable and undistributed funds	\$ 3,261
Due to participating agencies - interest income held for future distribution to:	
City of Ruston	305
Lincoln Parish Police Jury	183
Lincoln Parish School Board	493
City of Grambling	15
Town of Dubach	2
Village of Choudrant	5
Lincoln Parish Fire District No. 1	14
Ruston/Lincoln Convention & Visitors Bureau	15
Taxes and interest held in protest	<u>110,459</u>
<b>Total Liabilities</b>	<b><u>114,752</u></b>
 <b>Net Assets</b>	 <u style="border-top: 1px solid black;">-</u>
 <b>Total Liabilities and Net Assets</b>	 <b><u>\$ 114,752</u></b>

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, 2011**

**Additions:**

Sales and use tax	\$ 29,317,974
Hotel/Motel tax	445,264
Excise tax	2,481
Sales and use tax audits	734,944
Audit fees collected	83,025
Reimbursement for operating expenses	193,520
Legal fees and court costs collected	5,206
Collection Fees - Union Parish	76,065
Legal Fees Reimbursed - Union Parish	2,818
Miscellaneous	1,510
Interest received	1,043
<b>Total Additions</b>	<u>30,863,850</u>

**Distributions:**

City of Ruston	8,843,463
Lincoln Parish Police Jury	5,388,721
Lincoln Parish School Board	14,383,941
City of Grambling	476,323
Town of Dubach	77,756
Village of Choudrant	195,652
Lincoln Parish Fire District No. 1	423,036
Ruston/Lincoln Convention & Visitors Bureau	445,279
Less. Operating Expenses withheld from distributions	<u>(168,634)</u>
<b>Total Distributions</b>	<u>30,065,537</u>

**Other Disbursements:**

Operating expenses	583,925
Audit fees	88,765
Legal fees	1,053
Union Parish Expenses	7,052
Refunds, bank service charges, and other	71,151
<b>Total Other Disbursements</b>	<u>751,946</u>

**Additions less distributions and other disbursements** 46,367

**Undistributed balances at beginning of year** 68,385

**Undistributed balances at end of year** \$ 114,752

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, 2011**

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**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 Lincoln Parish Fire Protection District No. 1 was added in 2009.

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 seven participating agencies. The appointment of the administrator can be revoked by a majority vote of the six agencies. The seven agencies established the Commission composed of nine 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, Village of Choudrant, and Lincoln Parish Fire Protection District No. 1.

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 seven 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, the Ruston/Lincoln Convention and Visitors Bureau, and the Lincoln Parish Fire Protection District No. 1 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, 2011**

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**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

**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.

**Lincoln Parish Sales And Use Tax Commission**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2011**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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, 2011, 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%
Lincoln Parish Fire District No. 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, 2011, the Commission's had cash equivalents (book balances) as follows:

Interest-bearing demand deposits	<u>\$114,752</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 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, 2011, are secured as follows:

Bank Balances	<u>\$ 148,735</u>
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The bank balances at June 30, 2011 were covered by Federal Deposit Insurance (FDIC). In addition, the financial institution has pledged securities of approximately \$3,759,550 held to cover account balances in excess of \$100,000 during each month.

**Lincoln Parish Sales And Use Tax Commission**  
**Notes to Financial Statements**  
**For The Year Ended June 30, 2011**

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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 seven 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, 2011, were \$583,925, which is approximately 1.97% of tax collections.

**NOTE 4 – COMMITMENTS AND CONTINGENCIES**

The Commission from time to time is involved in disputes and litigation with taxpayers over the taxability of certain items. When taxes are paid under protest, the disputed funds are deposited in a separate bank account until the dispute is resolved. At June 30, 2011, the Commission held \$110,459 in protested tax remittances.

**NOTE 5 – COLLECTION SERVICES FOR OTHER PARISHES**

The Commission signed a tax collection agreement with Union Parish in November, 2010, and began collecting sales and use taxes in January, 2011. LPSUTC will receive a fee of 1-1/8<sup>th</sup>% of collections for the calendar year 2011 and 1 percent (1%) for 2012. Total fees collected during the fiscal year ended June 30, 2011 was \$76,065.

**NOTE 6 - SUBSEQUENT EVENTS**

Date of Management Evaluation

Management has evaluated subsequent events through December 2, 2011, the date on which the financial statements were available to be issued.

# Douglas A. Brewer, LLC

Certified Public Accountant

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**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**

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

I have audited the statement of fiduciary net assets and the statement of changes in fiduciary net assets of the Lincoln Parish Sales and Use Tax Commission, as of and for the year ended June 30, 2011, which collectively comprise the Lincoln Parish Sales and Use Tax Commission's basic financial statements and have issued my report thereon date December 2, 2011. 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.

## **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 as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lincoln Parish Sales and Use Tax Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Lincoln Parish Sales and Use Tax Commission's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, 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.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Lincoln Parish Sales & Use Tax Commission's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-01.

The Commission's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit the Commission's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is to be distributed by the Legislative Auditor as a public document.

*Douglas A. Brewer, LLC*

Ruston, Louisiana  
December 2, 2011



**Lincoln Parish Sales & Use Tax Commission  
Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2011**

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I have audited the financial statements of the Lincoln Parish Sales & Use Tax Commission as of and for the year ended June 30, 2011, and have issued my report thereon dated December 2, 2011. 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. My audit of the financial statements as of June 30, 2011, resulted in an unqualified opinion.

**Section I- Summary of Auditors' Reports**

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

Internal Control

Material Weakness \_\_\_ yes X no Reportable Conditions \_\_\_ yes X no

Compliance

Compliance Material to Financial Statements X yes \_\_\_ no

**B. Federal Awards – N/A**

Internal Control

Material Weakness \_\_\_ yes \_\_\_ no Reportable Conditions \_\_\_ yes \_\_\_ no

Type of Opinion on Compliance  
For Major Programs

Unqualified \_\_\_ Qualified \_\_\_  
Disclaimer \_\_\_ Adverse \_\_\_

Are their findings required to be reported in accordance with Circular A-133, Section .510 (a)?

**C. Identification of Major Programs: N/A**

Dollar threshold used to distinguish between Type A and Type B Programs.

Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133?

**Lincoln Parish Sales & Use Tax Commission  
Schedule of Findings and Questioned Costs  
For The Year Ended June 30, 2011**

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**Section II- Financial Statement Findings**

**2011-01 Basis of Accounting**

Condition:

The Commission presented its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP)

Criteria:

Under Louisiana law, statute 24:514 requires financial statements to be submitted in accordance with GAAP.

Effect:

The Commission is not in compliance with Louisiana Revised Statute 24.514.

Recommendation:

The Commission should present its financial statements in accordance with GAAP. Since it can legally issue bonded debt, it does not meet the only exception under state law.

Response:

The Lincoln Parish Sales & Use Tax Commission will present future financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).

**Section III-Federal Award Findings and Question Costs**

This section is not applicable for this entity.

**Lincoln Parish Sales & Use Tax Commission  
Schedule of Prior Year Findings  
For the Year Ended June 30, 2011**

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**Internal Control and Compliance Material to the Financial Statements**

There were no findings for the fiscal year ended June 30, 2010

**Management Letter**

No management letter was issued.

**Lincoln Parish Sales & Use Tax Commission  
Management's Corrective Action Plan  
For The Year Ended June 30, 2011**

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**Section II- Financial Statement Findings**

**2011-01 Basis of Accounting**

Condition:

The Commission presented its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (GAAP).

Recommendation:

The Commission should present its financial statements in accordance with GAAP. Since it can legally issue bonded debt, it does not meet the only exception under state law.

Management's Response:

The Lincoln Parish Sales & Use Tax Commission will present future financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP).