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Shreveport-Bossier Convention and Tourist Bureau

Financial Statements With Auditors' Report

As of and for the Year Ended December 31, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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 JUL 28 1999

Shreveport–Bossier Convention and Tourist Bureau

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Independent Auditors' Report

To the Board of Directors
Shreveport-Bossier Convention and Tourist Bureau

We have audited the accompanying statement of financial position of Shreveport-Bossier Convention and Tourist Bureau as of December 31, 1998, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Shreveport-Bossier Convention and Tourist Bureau's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Shreveport-Bossier Convention and Tourist Bureau at December 31, 1998, and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 1999 on our consideration of Shreveport-Bossier Convention and Tourist Bureau's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



Cook & Morehart
Certified Public Accountants
June 10, 1999

Shreveport-Bossier Convention and Tourist Bureau
Statement of Financial Position
December 31, 1998

Assets

Current assets:

Cash	\$ 267,280
Accounts receivable	36,679
Prepaid expenses	25,753
Total current assets	329,712

Property and equipment:

Property and equipment	931,310
Accumulated depreciation	(238,950)
Net property and equipment	692,360

Total Assets	\$ 1,022,072
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Liabilities and Net Assets

Current liabilities:

Accounts payable	\$ 78,706
Accrued expenses	1,246
Current portion of long-term debt	21,704
Total current liabilities	101,656

Long-term debt, less current portion	35,371
Total liabilities	137,027

Net assets:

Unrestricted:	
Operating	249,760
Fixed assets	635,285
	885,045

Total net assets	885,045
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Total Liabilities and Net Assets	\$ 1,022,072
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The accompanying notes are an integral part of the financial statements.

Shreveport-Bossier Convention and Tourist Bureau
Statement of Activities
For the Year Ended December 31, 1998

Revenues and Other Support:

Occupancy taxes	\$ 2,316,730
Participating programs	343,531
Other revenues	47,444
Interest income	14,782

2,722,487

Expenses:

Program services	
Convention	296,890
Tourism	1,152,484
Communications	539,848
Supporting services	
Administrative and general	388,273

2,377,495

Changes in net assets 344,992

Net assets, beginning of year 540,053

Net assets, end of year \$ 885,045

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

Shreveport-Bossier Convention and Tourist Bureau
Statement of Cash Flows
For the Year Ended December 31, 1998

Operating Activities

Change in net assets	\$ 344,992
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	82,665
(Increase) decrease in operating assets:	
Accounts receivable	29,977
Prepaid expenses	28,973
Increase (decrease) in operating liabilities:	
Accounts payable	14,628
Accrued liabilities	(5,815)
Grants and unconditional promises to give	(125,000)
<u>Net cash provided by operating activities</u>	<u>370,420</u>

Investing Activities

Payments for property and equipment	(190,157)
<u>Net cash used in investing activities</u>	<u>(190,157)</u>

Financing Activities

New loan principal	47,647
Payments of long-term debt	(20,464)
<u>Net cash provided in financing activities</u>	<u>27,183</u>

Net increase in cash	207,446
Cash as of beginning of year	<u>59,834</u>
Cash as of end of year	<u><u>\$ 267,280</u></u>

Supplemental Disclosure:

Operating activities reflect interest paid in 1998 of \$1,512.

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

Shreveport–Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 1998

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The Shreveport–Bossier Convention and Tourist Bureau, (The Bureau) was established by the Shreveport–Bossier Convention and Tourist Commission (the Commission). The Bureau was created to pursue the objectives set by the Commission to promote the convention and visitor industry of the Shreveport–Bossier metropolitan area to greatest possible extent, using the proceeds the occupancy tax derived from a three percent tax levied upon the occupancy of hotel rooms, motel rooms and overnight camping facilities within the jurisdiction of the Commission and revenue from other sources as may be arranged by The Bureau. The Bureau operates as a not for profit organization. The Board of Directors is composed of seventeen members and are appointed and serve terms based upon representation of benefiting groups in accordance with the State law which created the Commission. Board members receive no compensation for their services.

The Shreveport–Bossier Convention and Tourist Commission was created by and in accordance with the provisions of Act 19, State of Louisiana 1970 and amended several times since.

B. Basis of Accounting

The financial statements of the Bureau have been prepared on the accrual basis of accounting.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not–for–Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

The Bureau is a tax-exempt organization as described in Section 501(c)(4) of the Internal Revenue Code, and therefore, is not subject to income taxes. However, income from certain activities not directly related to the Bureau's tax–exempt purpose is subject to taxation as unrelated business income. The Bureau had no such income for this audit period.

(Continued)

Shreveport–Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 1998
(Continued)

E. 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 the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

The Bureau's cash, as stated for cash flow purposes, consists of interest bearing and non-interest bearing bank accounts. The Bureau has no other assets that are considered cash equivalents.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset.

H. Restricted and Unrestricted Revenue

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject the Bureau to concentrations of credit risk consist principally of temporary cash investments and accounts receivable. Concentrations of credit risk with respect to accounts receivable are limited due to the receivables being small in nature and from several different entities. The Bureau maintains cash balances at financial institutions. The Federal Deposit Insurance Corporation (FDIC)

(Continued)

Shreveport-Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 1998
(Continued)

insures accounts up to \$100,000 at each institution. At December 31, 1998 there were no uninsured balances at these institutions. As of December 31, 1998, the Bureau had no significant concentrations of credit risk.

(3) Property and Equipment

Property and equipment consisted of the following at December 31, 1998:

	<u>Estimated Depreciable Life</u>	
Buildings and improvements	7-30 years	\$ 566,549
Vehicles	5 years	97,005
Furniture and equipment	5-10 years	267,756
Accumulated depreciation		<u>(238,950)</u>
 Net investment in property and equipment		 <u>\$ 692,360</u>

Depreciation expense for the year ended December 30, 1998 was \$82,665.

(4) Long-Term Debt

Long-term debt at December 31, 1998 consisted of the following:

Note payable to a bank, with interest at 7.5%, payable in monthly installments of \$461 including interest, with one final payment for the balance due January 25, 2000, secured by a certificate of deposit	\$ 5,550
Note payable to a bank, with interest at 7.5%, payable in monthly installments of \$422 including interest, with one final payment for the balance due May 19, 2000, secured by a certificate of deposit	4,854

(Continued)

Shreveport-Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 1998
(Continued)

Note payable to a bank, with interest at .9%, payable in monthly installments of \$502 including interest, with one final payment for the balance due November, 2002, secured by a vehicle	\$ 23,151
Note payable to a bank, with a interest at .9% payable in monthly installments of \$510 including interest, final payment due November, 2002 secured by a vehicle	<u>23,520</u>
	57,075
Less current installments	<u>(21,704)</u>
Long-term portion	<u>\$ 35,371</u>

Approximate maturities of long-term debt are summarized as follows:

For the Year Ending <u>December 31,</u>	Approximate <u>Amount</u>
1999	\$ 21,704
2000	12,322
2001	11,975
2002	<u>11,074</u>
	<u>\$ 57,075</u>

For the year ended December 31, 1998, the Bureau incurred interest expense of \$1,512.

(5) Leases

The agency leases certain equipment under operating leases. The rental costs on these items for the years ended December 31, 1998 were \$27,433. Future minimum lease payments under operating leases that have remaining terms in excess of one year as of December 31, 1998, are:

Years Ending December 31:	
1999	\$ 29,518
2000	29,518
2001	11,358
2002	7,108
2003	<u>6,872</u>
	<u>\$ 84,374</u>

(Continued)

Shreveport–Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 1998
(Continued)

(6) Employee Benefit Plans

Retirement Plan

During the year ended December 31, 1998, the Bureau maintained a tax deferred annuity plan under section 403(b) of the Internal Revenue Code. This plan was discontinued during the year and a deferred profit sharing 401(k) plan was established for substantially all its employees. The Bureau will match employee deferrals up to 10% of participants salary. The Bureau's contributions to these plans for the year ended December 31, 1998 was \$19,056.

Deferred Compensation Plan

The Bureau also maintains a deferred compensation plan for its President. Under this plan the Bureau will defer 10% of the President's annual salary.

(7) Occupancy Tax Revenue

The occupancy tax revenue shown in the statement of activities represents a three percent tax levied by the Shreveport–Bossier Convention and Tourist Commission upon the occupancy of hotel room, motel rooms, and overnight camping facilities within Caddo and Bossier Parishes.

(8) Affiliations

The Bureau currently maintains an operating relationship with Shreveport–Bossier Film Assistance Office and the December on the Red organization. Activity for these two organizations are not included in the accompanying financial statements.

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

To the Board of Directors
Shreveport–Bossier Convention and Tourist Bureau

We have audited the financial statements of Shreveport–Bossier Convention and Tourist Bureau as of and for the year ended December 31, 1998, and have issued our report thereon dated June 10, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Shreveport–Bossier Convention and Tourist Bureau's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the Shreveport–Bossier Convention and Tourist Bureau's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is as follows:

Segregation of Duties

During our audit we noted that the accounting functions of the Bureau were primarily being done by one accounting personnel – the comptroller. The Bureau did have a Vice President of Finance for part of the year to help mitigate the separation of duties. That position has been vacant for several months. The Bureau presently has limited internal control policies such as two signatures on all checks but lacks regular

approvals, review of accounting reconciliations, etc.

We recommend that the Bureau analyze the accounting functions and those that can be separated in order to provide adequate and timely monitoring of the accounting functions at the Bureau.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving internal control over financial reporting, which we have reported to management of the Shreveport-Bossier Convention and Tourist Bureau in a separate management letter dated June 10, 1999.

This report is intended solely for the information and use of management, the Board of Directors 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.



Cook & Morehart
Certified Public Accountants
June 10, 1999

Shreveport-Bossier Convention and Tourist Bureau
Summary Schedule of Prior Year Findings
Schedule For Louisiana Legislative Auditor
December 31, 1998

Summary Schedule of Prior Audit Findings

Segregation of Duties

The Bureau did have a Vice President of Finance and a Comptroller for part of 1998. But, as noted in this years audit, a reportable condition is again noted concerning segregation of duties.

Level of Controls and Control Consciousness

The Bureau did improve the accounting records for 1998 which allowed the audit to be done timely.

Inadequate Procedures

The Bureau did improve the accounting records for 1998 which allowed the audit to be done timely. No financial procedures manual was developed.

Management Letter Comments:

Late Issuance of Audit

The Bureau did improve their accounting records which allowed the audit to be submitted timely for the 1998 audit.

Accounting Data Safekeeping

The Bureau did upgrade its computer system to address this issue.

Accounting Policies and Procedures Manual

The Bureau did improve its accounting policies and procedures but did not prepare a written policies and procedures manual.

Shreveport-Bossier Convention and Tourist Bureau
Corrective Action Plan For Current Year Findings
Schedule For Louisiana Legislative Auditor
December 31, 1998

Internal Control and Compliance Material to the Financial Statements:

The Bureau will continue to upgrade its computer accounting system throughout 1999. Another employee will be hired to assist the Comptroller sharing the duties that have been performed by the Comptroller. The Bureau will implement more internal control for accounting by extending the responsibilities for payroll authorization, purchasing and travel expense to the departments listed below:

- a. V.P. Convention Department
- b. V.P. Tourism Department
- c. V.P. Communications

Management Letter Comments:

Board Committees

The Finance Committee for the Board of Directors will consider meeting quarterly to discuss the financial status of the Bureau and compare the Financials against the Budget

Purchasing Procedures

The Bureau is implementing the use of Purchase Orders and will request that each department summarize the expense of each purchase before the bill will be paid.

Payroll Transactions Approval

Time sheets will be used for all future payroll for the Shreveport-Bossier Convention and Tourist Bureau. Each department will approve the pay for the employees in their department and submit the request to accounting for payment.

Grants Payable Register

A grants payable register is being added to the computer software in accounting. This will enable the Grant Committee to access the status of the grants at any given time.

Documentation of Credit Card Purchases

The Shreveport-Bossier Convention and Tourist Bureau will require a summation of all credit card purchases before accounting will pay the bills.

Travel Policy

The Bureau will provide each department with a written travel policy with uniform procedures.

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Management Letter

June 10, 1999

Board of Directors
Shreveport-Bossier Convention and Tourist Bureau

We have audited the financial statements of Shreveport-Bossier Convention and Tourist Bureau (The Bureau), for the year ended December 31, 1998, and have issued our report thereon dated June 10, 1999. In planning and performing our audit of the financial statements of Shreveport-Bossier Convention and Tourist Bureau, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control over financial reporting or operations of the Shreveport-Bossier Convention and Tourist Bureau.

Comment #1: Board Committees

During the course of our audit, we noted that the Board of Directors does not have a Personnel Committee and that the Finance Committee does not meet on a regular basis.

We recommend that the Board of Directors establish a Personnel Committee and to have the Finance Committee meet on a regular basis to provide adequate and timely monitoring of sufficient information concerning the Bureau.

Comment #2: Purchasing Procedures

The Bureau currently does not have written purchasing procedures including purchases made with Bureau credit cards.

We recommend the Bureau adopt written purchasing procedures, including the use of Bureau credit cards, for purchases made by employees.

Comment #3: Payroll Transactions Approval

During our audit of the year ended December 31, 1998, we determined that the Bureau did not utilize time sheets-time records for payroll preparation.

We recommend that payroll transactions be prepared upon time records approved by designated supervisors of the Bureau for all employees.

Comment #4: Grants Payable Register

During our audit we noted that a Grants payable register was not updated or maintained for grants awarded to other organizations.

We recommend that accounting personnel maintain a grants payable register on a timely basis to provide monitoring of the grants.

Comment #5: Documentation of Credit Card Purchases

The Bureau currently provides several employees with credit cards for business purposes. We noted during our audit that it was sometimes difficult to determine the business purpose for the credit card purchases.

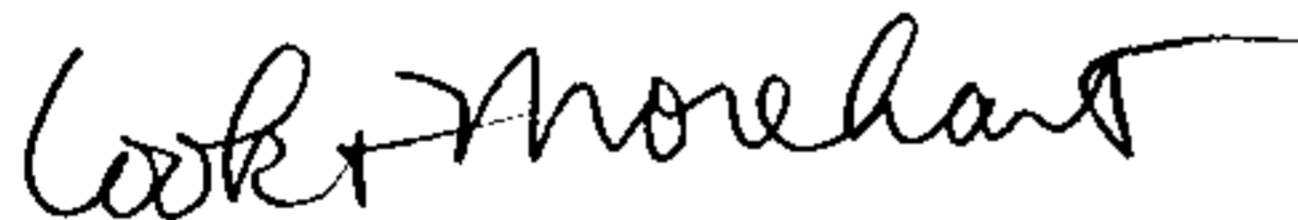
We recommend all employees with credit cards provide a summation – analysis of all charges on their individual Bureau credit cards detailing the business purpose of the charge. This should be done each month before the credit card bill is paid.

Comment #6: Travel Policy

We noted during our audit that the Bureau does not have a written travel policy.

We recommend the Bureau develop a written travel policy in order to provide uniform procedures for travel on all employees.

We express sincere thanks to the Shreveport–Bossier Convention and Tourist Bureau personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be used for any other purpose.



Cook & Morehart
Certified Public Accountants