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Shreveport-Bossier Convention and Tourist Bureau

General Purpose Financial Statements

As of and for the Year Ended December 31, 2003

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 9.1.04

Shreveport–Bossier Convention and Tourist Bureau

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Independent Auditors' Report

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

We have audited the accompanying general purpose financial statements of Shreveport-Bossier Convention and Tourist Bureau as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the Shreveport-Bossier Convention and Tourist Bureau's management. Our responsibility is to express an opinion on these general purpose 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Shreveport-Bossier Convention and Tourist Bureau at December 31, 2003, and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2004 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Cook & Morehart
Certified Public Accountants
May 14, 2004

Shreveport - Bossier Convention and Tourist Bureau
 Combined Balance Sheet - General Fund and Account Group
 December 31, 2003

| | <u>General Fund</u> | <u>General Fixed Assets Account Group</u> | <u>Totals (Memorandum Only)</u> |
|---|---------------------|---|---|
| Assets | | | |
| Cash | \$ 1,006,916 | \$ | \$ 1,006,916 |
| Accounts receivable - occupancy tax | 156,522 | | 156,522 |
| Prepaid assets | 5,994 | | 5,994 |
| Fixed assets | | 1,009,241 | 1,009,241 |
| Total assets | \$ 1,169,432 | \$ 1,009,241 | \$ 2,178,673 |
| Liabilities and Fund Equity | | | |
| Liabilities: | | | |
| Accounts payable | \$ 46,633 | \$ | \$ 46,633 |
| Accrued expenses | 7,487 | | 7,487 |
| Total liabilities | 54,120 | | 54,120 |
| Fund Equity: | | | |
| Investment in general fixed assets | | 1,009,241 | 1,009,241 |
| Fund balance - unreserved: | | | |
| Undesignated | 685,312 | | 685,312 |
| Designated for subsequent years' expenditures | 430,000 | | 430,000 |
| Total fund equity | 1,115,312 | 1,009,241 | 2,124,553 |
| Total liabilities and fund equity | \$ 1,169,432 | \$ 1,009,241 | \$ 2,178,673 |

The accompanying notes are an integral part of this statement.

Shreveport - Bossier Convention and Tourist Bureau
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the Year Ended December 31, 2003

| | |
|--|------------------|
| Revenues | |
| Occupancy taxes | \$ 2,507,999 |
| Intergovernmental revenues | 65,000 |
| Other income | 30,606 |
| Interest income | 10,926 |
| | <u>2,614,531</u> |
| Expenditures | |
| Current | |
| Convention | 510,920 |
| Tourism | 752,620 |
| Communication | 851,318 |
| Administrative and general | 401,434 |
| Capital outlay | 113,277 |
| | <u>2,629,569</u> |
| Excess of revenues over (under) expenditures | (15,038) |
| Fund balance at beginning of year, restated | 1,130,350 |
| | <u>1,115,312</u> |
| Fund balance at end of year | \$ 1,115,312 |

The accompanying notes are an integral part of this statement.

Shreveport - Bossier Convention and Tourist Bureau
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended December 31, 2003

| | Actual | Budget | Variance Favorable (Unfavorable) |
|---|---------------------|-------------------|--|
| Revenues | | | |
| Occupancy taxes | \$ 2,507,999 | \$ 2,593,439 | \$ (85,440) |
| Intergovernmental revenues | 65,000 | 85,000 | (20,000) |
| Other income | 30,606 | 8,600 | 22,006 |
| Interest income | 10,926 | 25,100 | (14,174) |
| Total revenues | 2,614,531 | 2,712,139 | (97,608) |
| Expenditures | | | |
| Current: | | | |
| Convention | 510,920 | 571,037 | 60,117 |
| Tourism | 752,620 | 837,745 | 85,125 |
| Communication | 851,318 | 1,059,053 | 207,735 |
| Administrative and general | 401,434 | 417,305 | 15,871 |
| Capital outlay | 113,277 | 85,749 | (27,528) |
| Total expenditures | 2,629,569 | 2,970,889 | 341,320 |
| Excess of revenues over (under) expenditures | (15,038) | (258,750) | 243,712 |
| Fund balance at beginning of year, restated | 1,130,350 | 828,750 | 301,600 |
| Fund balance at end of year | \$ 1,115,312 | \$ 570,000 | \$ 545,312 |

The accompanying notes are an integral part of this statement.

Shreveport-Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 2003

(1) Summary of Significant Accounting Policies

The Shreveport-Bossier Convention and Tourist Commission was created by and in accordance with the provisions of Act 19, State of Louisiana 1970 and has been amended several times since. In 1995 the original Commission was replaced by a new Commission which is a political subdivision of the State of Louisiana (LSA-R.S. 33:4574). The Commission voted to operate as a public agency effective January 1, 2001, and to continue to operate under the name of Shreveport-Bossier Convention and Tourist Bureau (the Bureau). Prior to January 1, 2001, the Bureau operated as a non-profit organization.

The Bureau was created to promote the convention and visitor industry of the Shreveport-Bossier metropolitan area to the greatest possible extent, using the proceeds of an 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 Board of Commissioners 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.

A. Basis of Presentation

The accompanying financial statements of the Bureau have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

State law states that the Bureau shall be a body politic and political subdivision of the State of Louisiana.

The basic criterion for determining whether a governmental organization should be included in a primary governmental unit's reporting entity for general purpose financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity.

The Board of Commissioners 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. Also, four different public bodies are required to approve the Bureau's budget each year.

For these reasons, the Bureau is considered a separate local public entity and is not considered a component of any parish or other local government.

(Continued)

Shreveport–Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 2003
(Continued)

C. Fund Accounting

The Bureau uses funds and account groups to report on its financial position and the results of its operations. 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. On the other hand, 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 available financial resources.

Funds of the Bureau are classified as governmental funds. Governmental funds account for the Bureau's general activities, including the collection and disbursement of specific or legally restricted monies, and the acquisition or construction of general fixed assets. Governmental funds of the Bureau include:

General Fund – the general operating fund of the Bureau and accounts for all financial resources, except those required to be accounted for in other funds.

The General Fixed Asset Account Group establishes accounting controls and accountability for the Bureau's general fixed assets.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

Governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Expenditures are recognized when the related fund liability is incurred.

E. Budgets

The Bureau uses the following budget practices:

- (1) Bureau Management prepares a proposed budget and submits it to the Board of Commissioners for approval.

(Continued)

Shreveport-Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 2003
(Continued)

- (2) Submits budget to the Caddo Parish Commission, Bossier Parish Police Jury, City of Shreveport, and the City of Bossier City for approval.
- (3) After completion of all action necessary to finalize and implement the budget, the budget is adopted at least fifteen days prior to the commencement of the fiscal year for which the budget is being adopted.
- (4) The budget document is structured such that revenues are budgeted by source and appropriations are budgeted by function and by object. Budgetary amendments require approval of the Board of Commissioners. No budget revisions were made during the year ended December 31, 2003.
- (5) All budgetary appropriations lapse at the end of each fiscal year.
- (6) The basis of accounting applied to budgetary data presented is substantially consistent with the appropriate basis of accounting for the fund.

The budget comparison statement included in the accompanying financial statements includes the original adopted budget.

F. Cash and Cash Equivalents and Investments

Cash includes amounts in demand deposits, interest bearing demand deposits, and time deposits. Under state law, the Bureau may deposit funds in demand deposits, interest bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

G. Fixed Assets

Fixed assets are recorded as expenditures at the time purchased or constructed, and the related assets are capitalized (reported) in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost, if purchased, and at fair market value at date of gift, if donated.

(Continued)

Shreveport–Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 2003
(Continued)

H. Compensated Absences

The Bureau has the following policy relating to vacation leave:

Employees of the Bureau earn vacation leave each year. The Bureau allows 40 hours of vacation leave to carry forward to the next year. The cost of leave privileges, computed in accordance with the above policy, is recognized as a current–year expenditure within the various funds when leave is actually earned.

I. Total Columns on Combined Statements

The total column on the statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

J. 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. Occupancy tax revenues (and related receivables) are considered derived tax revenues to be recognized when the underlying exchange takes place, when the facilities are rented.

During 1999, the Shreveport-Bossier Convention and Tourist Commission levied an additional 1.5 percent tax. Three fourths of one percent of the new tax is deducted for capital improvements, repairs, and maintenance of Independence Stadium and the remaining three fourths of one percent is to be used for the same purposes for which monies from the fund created by R.S. 47:302.3 are used. This additional 1.5 percent tax is collected by the tax collecting agencies in Caddo and Bossier Parishes and sent directly to the City of Shreveport and the City of Bossier City. The additional 1.5 tax is not reflected in the financial statements of The Bureau.

K. 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.

(Continued)

Shreveport-Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 2003
(Continued)

L. Fund Equity

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

(2) Cash and Cash Equivalents

At December 31, 2003, the Bureau has cash and cash equivalents (book balances) totaling \$1,006,916 in interest bearing demand deposits and money market accounts.

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 custodial bank that is mutually acceptable to both parties. At December 31, 2003, the Bureau had \$1,192,618 in deposits (collected bank balances). These deposits are secured from risk by \$115,525 of federal deposit insurance and \$1,077,093 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement No. 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 Bureau that the fiscal agent has failed to pay deposited funds upon demand.

(3) Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

| | Balance January 1, 2003 | Additions | Deductions | Balance December 31, 2003 |
|---------------------------|-------------------------------|-------------------|---------------------|---------------------------------|
| Building and improvements | \$ 566,549 | \$ - | \$ - | \$ 566,549 |
| Vehicles | 108,506 | 51,874 | (47,232) | 113,148 |
| Furniture and equipment | 269,167 | 61,403 | (1,026) | 329,544 |
| | <u>\$ 944,222</u> | <u>\$ 113,277</u> | <u>\$ (48,258)</u> | <u>\$ 1,009,241</u> |

(Continued)

Shreveport–Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 2003
(Continued)

(4) Pension Retirement Plan

The Bureau established a Deferred Compensation Plan pursuant to Section 457 of the Internal Revenue Code of 1986, as amended, and a Governmental 401(a) Money Purchase Plan. GASB No. 32 requires governments to report Section 457 plans as expendable trust funds if they meet the requirements of NCGA Statement No. 1. The Bureau's Section 457 Plan does not meet this criteria, therefore the plan's assets and liabilities are not presented in the financial statements of the Bureau. The Bureau's contribution to the Plan for the year ended December 31, 2003 was \$58,518.

(5) Risk Management

The Bureau purchases commercial insurance to provide workers compensation coverage and general liability and property insurance. There were no significant reductions in insurance coverage from the prior year.

(6) Lease Commitments

At December 31, 2003, the Bureau had non-cancelable operating leases for various equipment.

Minimum annual commitments under non-cancelable leases are as follows:

| | |
|------|-------------------|
| 2004 | \$ 42,241 |
| 2005 | 40,261 |
| 2006 | 34,081 |
| 2007 | 22,530 |
| 2008 | <u>10,008</u> |
| | <u>\$ 149,121</u> |

Total rental expenditures under operating leases for the year ended December 31, 2003, was \$38,031.

(7) 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 included in the accompanying financial statements.

(Continued)

Shreveport–Bossier Convention and Tourist Bureau
Notes to Financial Statements
December 31, 2003
(Continued)

(8) Designated Fund Balance

The amount shown as designated fund balance is designated for subsequent years' expenditures as follows:

| | |
|--|-------------------|
| Special Marketing | \$ 190,000 |
| Louisiana Riverwalk Visitor Area | 30,000 |
| Shreveport Convention Center Marketing | 150,000 |
| Bossier City Convention Marketing | <u>60,000</u> |
| | <u>\$ 430,000</u> |

(9) Restatement of Beginning Fund Balance

The following discloses the restatement of fund balances as of the beginning of the year:

| | |
|--|---------------------|
| Fund balance, beginning of the year, as previously stated | \$ 1,042,424 |
| Increase due to implementation of GASB 33 to account for the occupancy tax revenue as derived tax revenues | <u>87,926</u> |
| Fund balance, beginning of year, as restated | <u>\$ 1,130,350</u> |

(10) GASBS No. 34

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (Statement). Certain of the significant changes in the Statement include the following:

For the first time the financial statements will include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Bureau's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Bureau's activities.
- A change in the fund financial statements to focus on the *major* funds.

The general provisions of GASBS No. 34 must be implemented in the year ending December 31, 2004.

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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 Commissioners
Shreveport-Bossier Convention and Tourist Bureau

We have audited the general purpose financial statements of Shreveport-Bossier Convention and Tourist Bureau as of and for the year ended December 31, 2003, and have issued our report thereon dated May 14, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, the Board of Directors 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 distributed by the Legislative Auditor as a public document.



Cook & Morehart
Certified Public Accountants
May 14, 2004

**Shreveport–Bossier Convention and Tourist Bureau
Summary Schedule of Prior Year Findings
Schedule For Louisiana Legislative Auditor
December 31, 2003**

There were no findings or management letter comments for the audit for the year ended December 31, 2002.

**Corrective Action Plan For Current Year Findings
Schedule For Louisiana Legislative Auditor
December 31, 2003**

There were no findings or management letter comments for the audit for the year ended December 31, 2003.