

**SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU
FINANCIAL REPORT
DECEMBER 31, 2019**

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU
Lake Charles, Louisiana

December 31, 2019

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SOUTHWEST LOUISIANA CONVENTION
AND VISITORS BUREAU

December 31, 2019

BOARD OF DIRECTORS

Rick Richard - Chairman
Jonathan Ringo - Vice Chairman
Willie Mount - Secretary/Treasurer
Lauren Cooper
Evette Gradney
Rob King
Mark Lavergne
Edwina Medearis
Kane Mitchell
Alan Trantina
Nick Zaver

PRESIDENT/CHIEF EXECUTIVE OFFICER

Kyle Edmiston

LEGAL COUNSEL

Robert Kleinschmidt - Assistant District Attorney
Scott Scofield - Attorney

INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Louisiana Convention and Visitors Bureau
Lake Charles, Louisiana

We have audited the accompanying financial statements of the governmental activities of the Southwest Louisiana Convention and Visitors Bureau as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Southwest Louisiana Convention and Visitors Bureau's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Southwest Louisiana Convention and Visitors Bureau as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 7-14 and 36-37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Louisiana Convention and Visitors Bureau's basic financial statements. The introductory section and the schedule of compensation, benefits and other payments to Executive Director are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The schedule of compensation, benefits and other payments to Executive Director is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of compensation, benefits and other payments to Executive Director is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2020 on our consideration of the Southwest Louisiana Convention and Visitors Bureau's internal control over financial reporting and our test 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 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* in considering Southwest Louisiana Convention and Visitors Bureau's internal control over financial reporting and compliance.

Ms. Elroy Quirk + Bush

Lake Charles, Louisiana
August 14, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Southwest Louisiana Convention and Visitors Bureau's financial performance provides an overview of the Southwest Louisiana Convention and Visitors Bureau's financial activities for the year ended December 31, 2019.

USING THE ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Southwest Louisiana Convention and Visitors Bureau as a whole and present a longer-term view of the Southwest Louisiana Convention and Visitors Bureau's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Bureau's operations in more detail than the government-wide statements by providing information about the Bureau's most significant funds. The remaining statements provide financial information about activities for which the Bureau acts solely as an agent for the benefit of those outside the government.

Reporting the Southwest Louisiana Convention and Visitors Bureau as a Whole

The Statement of Net Position and the Statement of Activities

One of the most important questions asked about the Bureau's finances is, "Is the Bureau better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Bureau as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Bureau's net position - the difference between assets and liabilities - as one way to measure the Bureau's financial position. Over time, increases and decreases in the Southwest Louisiana Convention and Visitors Bureau's net position are one indicator of whether its financial health is improving or deteriorating.

Reporting the Bureau's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the Bureau as a whole. Some funds are required to be established by law. However, the Bureau establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain money. Southwest Louisiana Convention and Visitors Bureau's governmental fund uses a certain account approach described below:

Governmental funds - All of the Bureau basic services are reported in governmental funds, except for one fiduciary fund. The governmental fund focuses on how money flows into and out of those funds and the balance left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Bureau's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Bureau programs.

Reporting the Bureau's Fiduciary Responsibilities

The Bureau is the agent, or fiduciary for the deferred compensation plan. All the Bureau's fiduciary activities are reported in separate Statement of Fiduciary Net Position. We exclude these activities from the Bureau's other financial statements because the Bureau cannot use these assets to finance its operations. The Bureau is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The Bureau as a Whole

For the year ended December 31, 2019, net position changed as follows:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 8,572,483	\$ 8,414,309
Capital assets	<u>3,893,368</u>	<u>3,945,589</u>
Total assets	<u>12,465,851</u>	<u>12,359,898</u>
Deferred outflows of resources	<u>-</u>	<u>250,000</u>
Long-term debt outstanding	1,670,000	1,825,000
Cooperative endeavor agreement	-	250,000
Other current liabilities	<u>1,064,300</u>	<u>1,222,287</u>
Total liabilities	<u>2,734,000</u>	<u>3,297,287</u>
Net position:		
Net investment in capital assets	2,223,368	2,120,589
Unrestricted	<u>7,508,183</u>	<u>7,192,022</u>
Total net position	<u>\$ 9,731,551</u>	<u>\$ 9,312,611</u>

The following table provides a summary of the Bureau's change in net position:

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Program revenues:		
Occupancy tax	\$ 8,036,963	\$ 7,389,684
Advertising	170,441	180,000
Gift shop	62,020	59,932
General revenues:		
Interest	130,447	87,105
Miscellaneous	1,414	1,396
Total revenues	<u>8,401,285</u>	<u>7,718,117</u>
Program expenses:		
Salaries and benefits	2,091,184	1,985,333
Advertising, sales and promotions	3,162,266	3,082,290
Grants	413,329	479,107
Other program expenses	2,107,019	2,179,928
Interest	67,677	73,669
Depreciation	162,401	162,658
(Gain) loss on sale of assets	(21,531)	-
Total expenses	<u>7,982,345</u>	<u>7,962,984</u>
Increase in net position	418,940	(244,867)
Net position - beginning	<u>9,312,611</u>	<u>9,557,478</u>
Net position - ending	<u>\$ 9,731,551</u>	<u>\$ 9,312,611</u>

Governmental Activities

To aid in the understanding of the Statement of Activities some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed on top with revenues from that particular program reported below. The result is a Net (Expense)/Revenue. It also identifies how much each function adds to the general revenues or if it is self-financing through fees.

The following table presents the cost of the Bureau's programs, including the net cost (i.e., total cost less revenues generated by the activities). The net costs illustrate the financial benefit that was provided to the Bureau by this function.

	<u>Total Cost of Services</u>		<u>Net Benefit of Services</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Culture and recreation	<u>\$ 6,454,266</u>	<u>\$ 6,349,359</u>	<u>\$(6,221,805)</u>	<u>\$(6,109,427)</u>
Economic development	<u>\$ 250,000</u>	<u>\$ 1,250,000</u>	<u>\$ (250,000)</u>	<u>\$(1,250,000)</u>

The Bureau's Funds

The following schedule presents a summary of the special revenue funds and expenditures for the years ended December 31, 2019 and 2018. Also presented on the schedule is the amount and percentage of increase or decrease from amounts for the year ended December 31, 2019.

	<u>Totals</u>		<u>Change from 2018</u>	<u>% Variance</u>
	<u>2019</u>	<u>2018</u>		
Revenues:				
Occupancy tax	\$ 8,036,963	\$ 7,389,684	\$ 647,279	8.76%
Interest and dividends	130,447	87,105	43,342	49.76%
Gift shop	62,020	59,932	2,088	3.48%
Cooperative advertising	170,441	180,000	(9,559)	-5.13%
Proceeds on sale of assets	22,533	-	22,533	100.00
Miscellaneous	<u>1,414</u>	<u>1,396</u>	<u>18</u>	<u>1.29%</u>
Total revenues	<u>\$ 8,423,818</u>	<u>\$ 7,718,117</u>	<u>\$ 704,699</u>	<u>9.13%</u>
Expenditures:				
Advertising, sales and promotions	\$ 3,162,266	\$ 3,082,290	\$ 79,976	2.59%
Personnel services, taxes and benefits	2,091,184	1,985,333	105,851	5.33%
Accounting	21,000	24,500	(3,500)	-14.29%

(continued on next page)

	Totals		Change from 2018	% Variance
	2019	2018		
Automobile	9,253	23,937	(14,684)	-61.35%
Building maintenance	116,340	151,550	(35,210)	-23.23%
Equipment contracts	131,464	119,220	12,244	10.27%
Gift shop	37,754	38,967	(1,213)	-3.11%
Insurance-general	123,174	120,132	3,042	2.53%
Legal/professional fees	118,893	88,490	30,403	34.36%
Miscellaneous	5,916	7,899	(1,983)	-25.12%
Office	26,462	30,124	(3,662)	-12.16%
Utilities	33,894	34,394	(500)	-1.45%
Vending	936	759	177	23.32%
Grants	413,329	479,107	(65,778)	-13.73%
Capital outlay	111,182	38,837	72,345	186.28%
Economic development	250,000	1,250,000	(1,000,000)	-80.00%
Intergovernmental	1,231,933	289,956	941,977	324.87%
Bond retirement	155,000	145,000	10,000	6.90%
Interest expense	67,677	73,669	(5,992)	-8.13%
Total expenditures	\$ 8,107,657	\$ 7,984,164	\$ 124,492	1.55%

Revenue:

Revenue increased from prior year as a result of the following:

- Occupancy tax was up 8.76% due to increased Act 608 1% occupancy tax collections; offset by a decrease in the 4% occupancy tax receipts relating to economic factors including the completion of industry construction jobs and bridge construction.
- Interest and dividends increased 49.76% due to increased cash balances for designated projects from prior year excess funds.
- Gain on sale of assets increased by 100% due to the sale of two company vehicles.

Expenses:

Expenses increased from prior year mainly due to:

- Advertising, sales and promotions increased 2.59%. This increase was due to several large projects including the hosting of the 2019 USA Boxing National Championships Olympic Trials Event as well as the Southern Cast Iron Cook-off Event and rebranding project; offset by reduced media due to prior year program campaigns and decreased outdoor billboards in the Texas market.
- Personnel services, taxes and benefits increased 5.33% due to the addition of new staff, annual raises and increased benefit costs.

- Automobile decreased 61.35% due to decreased repairs and staff fuel expenses.
- Building maintenance decreased 23.23% due to prior year purchase of outdoor landscaping.
- Legal and professional increased 34.36% due to professional sales consultant for the Texas market; as well as legal services for review of Employee Office Policy and legislation to redefine hotel definition with respect to hotel occupancy tax levied.
- Grants decreased 13.73% due to decreased project enhancement grants from prior year.
- Capital outlay increased 186.28% which relates to the replacement of the air conditioning units in the Lake Charles office, and purchase of a vehicle and enclosed trailer; offset by prior year purchases of computers.
- Economic development decreased 80% due to prior year cooperative endeavor agreement with the Calcasieu Police Jury, the City of Lake Charles and Ward 3 Recreation District to fund the Turf Field Project.
- Intergovernmental expense increased 324.87% with Act 608 of the Regular Legislation Session of 2018 for an additional 1% occupancy tax collection effective August 1, 2018 in which 95% is to be distributed to municipalities for taxes collected within its territories where the hotel or motel is located. Five percent of the 1% is retained by the CVB to fund the Project Enhancement Grant Program.

Significant Budget Variances

Over the course of the year, the Bureau revised the special revenue fund budget one time. This amendment was done mid-year as a response to funding major projects and the gain on sale of vehicles. This amendment decreased budget revenues by \$14,500 and increased budgeted expenditures by \$285,500. The major adjustment to the budget expenditures relates to hosting of the USA Boxing Event and the Re-branding project.

A list of the major changes from the original budget and explanations for those changes are as follows:

Revenues:

Increase of \$24,000 to recognize the gain on the sale of two company vehicles offset by a decrease in cooperative advertising grants of \$38,500.

Expenses:

Increase of \$285,500 in Business Promotions to fund the 2019 USA Boxing National Championship Olympic Trials Event.

Also, funds were expended for a Rebranding Project. Periodic rebranding is essential for effective marketing and critical to reassess branding as the assets of the area evolve and develop over time, and along with that, shifting the focus to align with the reality of the destinations offerings attractions and experiences. A professional service performed a thorough evaluation including stakeholder interviews, resident surveys, consumer surveys and focus groups to develop the new brand.

Capital Assets

At the end of December 31, 2019 and 2018, the Bureau had \$3,893,368 and \$3,945,589, respectively, in capital assets. See Note 3 for additional information about changes in capital assets during the year. The following table provides a summary of capital asset activity:

Capital Assets (net of depreciation)	<u>2019</u>	<u>2018</u>
Land and construction in progress	\$ 403,260	\$ 403,260
Building	3,371,102	3,435,222
Transportation equipment	53,050	22,813
Furniture and fixtures	<u>65,956</u>	<u>84,294</u>
	<u>\$ 3,893,368</u>	<u>\$ 3,945,589</u>

Long-Term Debt

At the end of the fiscal year, the Bureau had total bonded debt outstanding of \$1,670,000, a decrease of \$155,000 from last year as follows:

Outstanding Debt at Year-End	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenue bonds (backed by specific tax and fee revenues)	<u>\$ 1,670,000</u>	<u>\$ 1,825,000</u>

See Note 4 for additional information.

Economic Factors

The hotel occupancy revenue declined as hotel properties experienced lower occupancy with the completion of several large industrial projects which reduced the amount of transient construction worker jobs. This decline, however, was not reflected in the total occupancy revenue collected as the 1% occupancy tax collections increased due to the passage of Act 608 in August 2018 which is primarily a pass-through for the CVB.

Contacting the Bureau's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Bureau's finances and to show the Bureau's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Bureau's office at 1205 North Lakeshore Drive; Lake Charles, Louisiana.

Kyle Edmiston, President/Chief Executive Officer

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF NET POSITION

December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 7,430,262
Investments	418,968
Accounts receivable	569,772
Interest receivable	12,225
Prepaid expenses	60,108
Other receivables	<u>81,148</u>
Total current assets	<u>8,572,483</u>
NONCURRENT ASSETS	
Capital assets not being depreciated:	
Land	403,260
Capital assets, net of accumulated depreciation	<u>3,490,108</u>
Total noncurrent assets	<u>3,893,368</u>
Total assets	<u>12,465,851</u>
CURRENT LIABILITIES	
Accounts payable	616,502
Accrued liabilities	1,873
Accrued interest	26,957
Deferred compensation benefits	<u>418,968</u>
Total current liabilities	<u>1,064,300</u>
NONCURRENT LIABILITIES	
Bonds payable:	
Due in one year	155,000
Due in more than one year	<u>1,515,000</u>
Total liabilities	<u>2,734,300</u>
NET POSITION	
Net investment in capital assets	2,223,368
Unrestricted	<u>7,508,183</u>
Total net position	<u>\$ 9,731,551</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF ACTIVITIES
Year Ended December 31, 2019

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Total Net Revenue (Expense)</u>
Governmental activities:				
Culture and recreation	\$ 6,454,266	\$ 62,020	\$ 170,441	\$(6,221,805)
Economic development	250,000	-	-	(250,000)
Interest on long-term debt	<u>67,677</u>	<u>-</u>	<u>-</u>	<u>(67,677)</u>
Total governmental activities	<u>\$ 6,771,943</u>	<u>\$ 62,020</u>	<u>\$ 170,441</u>	(6,539,482)
General revenues:				
Occupancy tax				8,036,963
Interest				130,447
Gain on sale of assets				21,531
Intergovernmental expense				(1,231,933)
Miscellaneous				<u>1,414</u>
Total general revenues				<u>6,958,422</u>
Change in net position				418,940
Net position - beginning				<u>9,312,611</u>
Net position - ending				<u>\$ 9,731,551</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

BALANCE SHEET - GOVERNMENTAL FUNDS
December 31, 2019

ASSETS

Cash and cash equivalents	\$ 7,430,262
Investments	418,968
Accounts receivable	569,772
Interest receivable	12,225
Prepaid expenses	60,108
Other receivables	<u>81,148</u>
Total assets	<u>\$ 8,572,483</u>

LIABILITIES AND FUND EQUITY

Liabilities:

Accounts payable	\$ 616,502
Accrued liabilities	1,873
Accrued interest	26,957
Deferred compensation benefit	<u>418,968</u>
Total liabilities	<u>1,064,300</u>

Fund equity:

Fund balance:	
Committed	5,669,800
Unassigned	<u>1,838,383</u>
Total fund equity	<u>7,508,183</u>

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds, consisting of:

Land and construction in progress	403,260
Capital assets, net of \$1,371,712 accumulated depreciation	<u>3,490,108</u>
	3,893,368

Deferred outflows of resources are not available to pay current period expenditures, and therefore, are not reported in the government funds

-

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported in the funds

(1,670,000)

Net position of government activities

\$ 9,731,551

The accompanying notes are an integral part of these statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS

Year Ended December 31, 2019

Revenues:	
Occupancy tax	\$ 8,036,963
Deepwater Horizon Grant	102,869
Interest, dividends	130,447
Gift shop	62,020
Advertising revenues	67,572
Miscellaneous	1,414
Proceeds from sale	<u>22,533</u>
Total revenues	<u>8,423,818</u>
Expenditures:	
Current:	
Culture and recreation	6,291,865
Economic development	250,000
Intergovernmental	1,231,933
Capital outlay	111,182
Debt service:	
Principal	155,000
Interest	<u>67,677</u>
Total expenditures	<u>8,107,657</u>
Excess of expenditures over revenues	316,161
Fund balance - beginning	<u>7,192,022</u>
Fund balance - ending	<u>\$ 7,508,183</u>

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SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS

Year Ended December 31, 2019

(Continued)

Reconciliation of the change in fund balances -
total governmental funds to the change in net
position of governmental activities:

Net change in fund balances-total governmental funds	\$ 316,161
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlay while
governmental activities report depreciation
expense to allocate those expenditures over
the life of the assets:

Proceeds from sale of capital assets in excess of gain on sale	(1,002)
Capital asset purchases capitalized	111,182
Depreciation expense	<u>(162,401)</u>
	52,221

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of
the principal of long-term debt consumes the current
financial resources of governmental funds. Neither
transaction, however, has any effect on net position.

Bond principal payments	<u>155,000</u>
Change in net position of governmental activities	<u>\$ 418,940</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF NET POSITION - FIDUCIARY FUNDS
December 31, 2019

ASSETS

Investments	<u>\$ 894,295</u>
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LIABILITIES

Deferred compensation benefits	<u>\$ 894,295</u>
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The accompanying notes are an integral part of these statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
Year Ended December 31, 2019

ADDITIONS	
Employee and employer contributions	\$ 1,016,128
Net appreciation in fair value of investments	188,134
Dividend earnings	<u>5,607</u>
Total additions	<u>1,209,869</u>
DEDUCTIONS	
Withdrawals	552,712
Fund transfers	856,003
Fees	238
Net depreciation in fair value of investments	<u>-</u>
Total deductions	<u>1,408,953</u>
Change in net position	(199,084)
Net position held in agency funds:	
Beginning of year	<u>1,093,379</u>
End of year	<u>\$ 894,295</u>

The accompanying notes are an integral part of these statements.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of the Southwest Louisiana Convention and Visitors Bureau have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Bureau's more significant accounting policies are described below.

A. NATURE OF BUSINESS

The operations of the Southwest Louisiana Convention and Visitors Bureau are to promote conventions and tourism in the Calcasieu Parish area.

B. REPORTING ENTITY

The Southwest Louisiana Convention and Visitor's Bureau was created in 1972 by an Act of the Louisiana Legislature. That Act was amended and reenacted by Act 47 to create the Bureau as a political subdivision of the State of Louisiana effective for 1997 with the purpose of promoting conventions and tourism in the Calcasieu Parish area. During 2000 the Louisiana Legislature increased the seven person governing board to an eleven person Board of Directors. The following governmental bodies appoint members to and are represented on the Board:

Calcasieu Parish Police Jury-six members
The City of Lake Charles-three members
West Calcasieu Community Center Authority-one member
The City of Sulphur-one member

The financial statements of the Bureau include all operations and activities of the Bureau under control and authority of the Board of Directors and it was determined that no other agency should be included in this reporting entity.

C. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government.

The Statement of Net Position and the Statement of Activities report financial information for the Bureau as a whole. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) grants received from state and local governments used to promote Southwest Louisiana; and (2) 4% occupancy tax revenue. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The Southwest Louisiana Convention and Visitors Bureau use 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. The financial statements in this report are grouped into the following fund types:

One governmental fund type, a special revenue fund used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

One fiduciary fund type, an agency fund used to account for the deferred compensation plan. Agency funds are custodial in nature and do not involve measurement of operations.

One capital project fund type, a capital project fund used to account for resources restricted, committed or assigned for capital acquisition or construction of capital facilities and other capital assets.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

The Bureau uses the modified accrual basis of accounting. The modified accrual basis of accounting recognizes revenues when both "measurable and available". Measurable means the amount can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: occupancy tax, interest, dividends, and intergovernmental revenue.

The Bureau's records are maintained on a modified accrual basis of accounting, utilizing the following practices:

Revenues:

Revenues collected in the current period that was measurable and available as net current assets of the prior period are adjusted out of current revenue. Uncollected revenues that are measurable and available as net current assets of the current period are recognized as revenue.

Expenditures:

Expenditures are adjusted to record in the current period only those expenditures for which the related fund liability was incurred in the current period.

Advertising:

The Bureau elects to expense advertising cost as incurred. The advertising cost for the year ended December 31, 2019 amounted to \$3,162,266.

Pervasiveness of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Deferred outflows of resources and deferred inflows of resources:

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

Net position flow assumption:

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

E. BUDGETS AND BUDGETARY ACCOUNTING

The Director and the budget committee submit to the Board of Directors a proposed budget prior to the beginning of the fiscal year. The operating budget includes proposed expenditures and the means of financing them.

After a complete review the budget is approved. The Board must approve any revisions. Formal budgetary integration is employed as a management control device during the year. All budgetary appropriations lapse at the end of each fiscal year.

During the year ended December 31, 2019, budgeted amounts for revenues were decreased \$14,500 and expenditures were increased \$285,500. The major part of the expenditure increase is related to funding the USA Boxing event and branding project. Encumbrance accounting is not used.

F. DEPOSITS AND INVESTMENT DEPOSITS

DEPOSITS

Deposits include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the Bureau.

State statutes authorize the Bureau to invest in obligations of the US Treasury, US Government Agencies, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana, as stipulated in R.S. 39:1271, or any other federally insured investment. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana which generates a local government investment pool. Investments in LAMP at December 31, 2019 totaled \$766,409.

Credit Risk. Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district. The Bureau's bank demand and time

deposits at the end were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Bureau's name.

The deposits at December 31, 2019 are as follows:

December 31, 2019	<u>Demand Deposits</u>
Carrying amount	\$ <u>6,663,503</u>
Bank balances:	
a. Federally insured	\$ 2,569,236
b. Collateralized by securities held by the pledging financial institution	3,957,384
c. Uncollateralized and uninsured	<u>-</u>
Total bank balances	\$ <u>6,526,620</u>

INVESTMENTS

As of December 31, 2019, the Bureau had the following investments and maturities.

<u>Investment Type</u>	<u>Investment Maturities</u> (in Years)	
	<u>Fair Value</u>	<u>Less Than 1</u>
Merrill Lynch-mutual fund portfolio	\$ 418,968	\$ 418,968

Interest Rate Risk. The Bureau does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The Bureau's investments program is limited to purchases of securities issued or guaranteed by the U.S. Government and its agencies.

G. CAPITAL ASSETS AND DEPRECIATION

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or what historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,000.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings	15 to 40 years
Improvements, other than building	5 to 40 years
Machinery and equipment	3 to 15 years
Furniture and fixtures	3 to 10 years

H. COMPENSATED ABSENCES

The Bureau has the following policy related to paid time off:

The cost of current paid time off is recognized as current year expenditures when leave is actually taken. Paid time off can accrue up to 30 days from year to year.

I. BAD DEBTS

No reserve for uncollectible receivables had been recorded as of December 31, 2019, as all receivables were considered collectible.

J. ACCOUNTS RECEIVABLE

Accounts receivable consist primarily of uncollected occupancy tax assessments.

Note 2. Lease Agreement

The Bureau occupies property it has leased through a joint service agreement with the City of Lake Charles. The agreement provides the Bureau use of the land at no cost.

Note 3. Capital Assets

Capital asset activity for the year ending December 31, 2019 was as follows:

	Balance <u>1/1/19</u>	Additions	Deductions	Balance <u>12/31/19</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 403,260	\$ -	\$ -	\$ 403,260
Capital assets being depreciated:				
Building and grounds	4,342,103	48,474	-	4,390,577
Furniture and equipment	365,121	14,025	35,926	343,220
Transportation equipment	<u>145,388</u>	<u>48,683</u>	<u>66,048</u>	<u>128,023</u>
Total capital assets being depreciated	<u>4,852,612</u>	<u>111,182</u>	<u>101,974</u>	<u>4,861,820</u>
Less accumulated depreciation:				
Building and grounds	906,881	112,594	-	1,019,475
Furniture and equipment	280,827	31,361	34,925	277,264
Transportation equipment	<u>122,575</u>	<u>18,446</u>	<u>66,048</u>	<u>74,973</u>
Total accumulated depreciation	<u>1,310,283</u>	<u>162,401</u>	<u>100,973</u>	<u>1,371,712</u>
Total capital assets being depreciated, net	<u>3,542,329</u>	<u>(51,219)</u>	<u>1,001</u>	<u>3,490,108</u>
Government activities capital assets, net	<u>\$ 3,945,589</u>	<u>\$ (51,219)</u>	<u>\$ 1,001</u>	<u>\$ 3,893,368</u>

Depreciation expense of \$162,401 was charged to culture and recreation.

Noncurrent Liabilities

Bonds payable is comprised of the following at December 31, 2019:

Louisiana Local Government Environmental Facilities and Community Development Authority Revenue Bonds Series 2013 payable to Argent Trust Company in the original amount of \$2,500,000 bearing 3.874%, payable semi-annually on August 1 (interest) and February 1 (principal and interest) each year. \$ 1,670,000

Summary of changes in bonds payable:

	Balance <u>12/31/18</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>12/31/19</u>	Due Within One <u>Year</u>
LCDA Revenue Bonds Series					
2013	<u>\$ 1,825,000</u>	<u>\$ -</u>	<u>\$ 155,000</u>	<u>\$ 1,670,000</u>	<u>\$ 155,000</u>

Note 4. Annual Debt

Annual debt service requirements to maturity of the bonds are as follows:

<u>Year Ending December 31</u>	<u>LCDA Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 155,000	\$ 61,693
2021	165,000	55,495
2022	170,000	49,006
2023	180,000	42,227
2024	185,000	35,157
2025-2028	<u>815,000</u>	<u>64,793</u>
Total	<u>\$ 1,670,000</u>	<u>\$ 308,370</u>

Cooperative endeavor agreements are comprised of the following at December 31, 2019:

The Bureau is a party to a cooperative endeavor agreement with several other local government bodies and private enterprises toward the construction of the Interstate 210/Cove Lane Project. The Bureau's total commitment to the project is \$1,250,000. At December 31, 2019, the fifth and final installment of \$250,000 is reflected in intergovernmental expense and accounts payable.

Note 5. Compensation for Board of Directors

The Board of Directors received no compensation for the year ended December 31, 2019.

Note 6. Equity

The Southwest Louisiana Convention and Visitors Bureau in accordance with GASB No. 54, classifies governmental fund balances as follows:

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes which are internally imposed by the government through formal action of the highest level of decision making authority (the Board of Directors) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Executive Director.

Unassigned -

includes positive fund balance which has not been classified within the above mentioned categories.

The Bureau requires restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Board of Directors has committed fund balances to provide for the following projects:

Vehicle fund	\$ 87,533
Major expenditure fund	246,865
Sports war chest fund	141,628
Emergency operations fund	3,587,341
Port wonder project fund	832,655
I-210 incentive project	77,323
Major event fund	496,455
McNeese project fund	<u>200,000</u>
	<u>\$ 5,669,800</u>

The Bureau has a formal minimum fund balance policy.

Net Position

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Note 7. Occupancy Tax

Act 47 of the Louisiana Legislature authorized the Southwest Louisiana Convention and Visitors Bureau to levy and collect a 4% tax upon the occupancy of hotel rooms, motel rooms, and overnight camping facilities within its jurisdiction. The jurisdiction of the Bureau is composed of all the territory in Calcasieu Parish. The proceeds of the tax shall be used by the Bureau for the operation of the Bureau, and for the purpose of attracting conventions and tourists into the area, and jurisdiction of the Bureau including, but not limited to, the authority to spend money for advertising, promotion, and publication of information, or for any other purpose generally or specifically authorized for occupancy taxes in the parish by this Act 47 or by any local, special, or general law.

Act 608 of the Louisiana Legislature amended Act 47 and authorized the Southwest Louisiana Convention and Visitors Bureau to levy and collect an additional one percent hotel and motel occupancy tax and to provide for the distribution to the governing authority or authorities of the parish or municipalities within its territories in which a hotel or motel is located. A cooperative endeavor agreement has been entered into with the governing authorities and said authorities will use the proceeds for promoting and funding programs that enhance visitation, tourism, and economic development, and for infrastructure improvements. The Bureau retains 5% of the additional 1% and has dedicated to the Project Enhancement Grant Program.

Note 8. Accounts Receivable

Accounts receivable balances are comprised of occupancy tax amounts collected in 2019 but remitted to the Bureau in January and February of 2019. Total occupancy tax receivable for 2019 is \$564,659.

Note 9. Deferred Compensation Plan

The Bureau offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Bureau employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Empower Retirement is managing the 457 plan. The employee makes the choice of the investment options for the Section 457 plan.

A model Rabbi trust agreement has been established for Shelley Johnson, Executive Director. This plan is a nonqualified deferred compensation plan.

Note 10. Fair Value

The Bureau categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The Bureau had the following recurring fair value measurements as of December 31, 2019:

Governmental Activities

Investments reported at fair value in the Bureau's governmental activities consist of investments held by the model Rabbi trust described in Note 9. The investments are shown as assets on the Bureau's Statement of Net Position and Balance Sheet along with corresponding liabilities on each statement as they are held on behalf of the trust's beneficiary. The investments consist of money market and mutual funds. Money market investments of \$55,230 are not subject to fair value measurement. The remainder of the balance consists of mutual funds which are traded on active markets and are considered level 1 investments.

Investments by Fair Value Level	12/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Units (Level 3)
Mutual funds:				
World Allocation funds	\$ 106,591	\$ 106,591	\$ -	\$ -
Large Value funds	35,956	35,956	-	-
Large Blend funds	34,768	34,768	-	-
Bond funds	<u>186,423</u>	<u>186,423</u>	-	-
	<u>\$ 363,738</u>	<u>\$ 363,738</u>	<u>\$ -</u>	<u>\$ -</u>

Fiduciary Activities

Investments reported at fair value on the Bureau's Statement of Net Position - Fiduciary Funds consist of investments held by the Bureau's 457 plan, described in Note 9, on behalf of its employees. The investments are not included on the Bureau's basic financial statements and instead are shown on its fiduciary statements. The investments consist entirely of mutual funds which are traded on active markets and are considered level 1 investments.

Investments by Fair Value Level	12/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Units (Level 3)
Mutual funds:				
Large Cap Growth funds	\$ 242,048	\$ 242,048	\$ -	\$ -
Mid Cap Blend funds	52,497	52,497	-	-
Large Cap Blend funds	209,908	209,908	-	-
Small Cap Blend funds	53,343	53,343	-	-
Bonds funds	15,124	15,124	-	-
Diversified Emerging Markets funds	40,773	40,773	-	-
Fixed account funds	6,814	6,814	-	-
Real estate	1,131	1,131	-	-
US Fund allocation - 50% to 70% equity	54,324	54,324	-	-
US Fund allocation - 30% to 50% equity	70,416	70,416	-	-
US Fund intermediate government	7,191	7,191	-	-
US Multi-Sector bond	103,067	103,067	-	-
US Fund intermediate core-plus bond	37,658	37,658	-	-
	<u>\$ 894,295</u>	<u>\$ 894,295</u>	<u>\$ -</u>	<u>\$ -</u>

Note 12. Subsequent Events

The Bureau is monitoring the impact of the COVID-19 pandemic on all aspects of its business. This includes how it will impact team members, suppliers, and vendors. While the bureau did not incur significant disruptions during the year ended December 31, 2019 from COVID-19, it is unable to predict the impact that COVID-19 will have on its financial position and operating results due to numerous uncertainties.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

REQUIRED SUPPLEMENTARY INFORMATION

December 31, 2019

Required supplementary information includes financial information and disclosures that are required by GASB and are not considered a part of the basic financial statements. Such information includes:

- Budgetary comparison schedules - Special Revenue Fund

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL
 SPECIAL REVENUE

Year Ended December 31, 2019

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Occupancy tax	\$ 8,320,000	\$ 8,320,000	\$ 8,036,963	\$ (283,037)
Deepwater Horizon grant	-	-	102,869	102,869
Interest, dividends	99,000	99,000	130,447	31,447
Gift shop	60,000	60,000	62,020	2,020
Advertising revenues	88,500	50,000	67,572	17,572
Miscellaneous	1,500	1,500	1,414	(86)
Proceeds on sale	-	24,000	22,533	(1,467)
Total revenues	<u>8,569,000</u>	<u>8,554,500</u>	<u>8,423,818</u>	<u>(130,682)</u>
Expenditures:				
Current:				
Culture and recreation	6,814,000	7,099,500	6,291,865	807,635
Economic development	250,000	250,000	250,000	-
Intergovernmental	1,425,000	1,425,000	1,231,933	193,067
Capital outlay	111,000	111,000	111,182	(182)
Debt service:				
Principal	155,000	155,000	155,000	-
Interest	70,000	70,000	67,677	2,323
Total expenditures	<u>8,825,000</u>	<u>9,110,500</u>	<u>8,107,657</u>	<u>1,002,843</u>
Net change in fund balance	(256,000)	(556,000)	316,161	872,161
Fund balances - beginning	<u>7,192,022</u>	<u>7,192,022</u>	<u>7,192,022</u>	-
Fund balances - ending	<u>\$ 6,936,022</u>	<u>\$ 6,636,022</u>	<u>\$ 7,508,183</u>	<u>\$ 872,161</u>

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR
Year Ended December 31, 2019

Agency Head Name: Kyle Edmiston, President/CEO

Purpose	Amount
Salary	\$ 175,594
Benefits - insurance	25,556
Benefits - retirement	28,585
Vehicle provided by government	359
Travel	7,514
Registration fees	147
Conference travel	12,178
Continuing professional education	1,920
Cell phone	1,950

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO EXECUTIVE DIRECTOR
Year Ended December 31, 2019

Agency Head Name: Shelley Johnson, Executive Director

Purpose	<u>Amount</u>
Salary	\$ 140,027
Benefits - insurance	16,126
Benefits - retirement	11,251
Vehicle provided by government	535
Travel	689
Conference travel	1,816
Continuing professional education	595

INDEPENDENT AUDITORS' 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 Directors
Southwest Louisiana Convention and Visitors Bureau
Lake Charles, Louisiana

We have audited, 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, the financial statements of the governmental activities of the Southwest Louisiana Convention and Visitors Bureau as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Southwest Louisiana Convention and Visitors Bureau's basic financial statements, and have issued our report thereon dated August 14, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

In connection with our engagement to audit the financial statements of the Southwest Louisiana Convention and Visitors Bureau, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as finding 2019-001. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Southwest Louisiana Convention and Visitors Bureau's Response to Findings

The Bureau's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Bureau's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

This report is intended for the information and use of the Board of Directors, management, federal agencies and the Legislative Auditor of the State of Louisiana. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms. Elroy Quirk & Bush

Lake Charles, Louisiana
August 14, 2020

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2019

2019-001 Misuse of Public Funds

Condition: At the retirement of the Bureau's former executive director, the Bureau misinterpreted the individual's employment contract. As a result of this error, the individual was paid a termination payment which represented time not worked.

Criteria: The funds of a political subdivision shall not be loaned, pledged or donated to any person. (Louisiana Constitution of 1974 Art. VII section 14. Donation, Loan or Pledge of Public Credit)

Effect: The termination payment paid to the former Executive Director represents a loan or donation to the individual.

Recommendation: The Bureau should take appropriate action to recover all amounts improperly paid to the individual.

Response: The District took the recommended action and received reimbursement from the individual on June 23, 2020, in the amount of \$67,137.

SOUTHWEST LOUISIANA CONVENTION AND VISITORS BUREAU

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2019

No findings to report.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of the Southwest Louisiana Convention and Visitors Bureau
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Southwest Louisiana Convention and Visitors Bureau (Entity) and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period January 1, 2019 through December 31, 2019. The Entity's management is responsible for those C/C areas identified in the SAUPs. The sufficiency of these procedures is solely the responsibility of the Southwest Louisiana Convention and Visitors Bureau and the LLA. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are as follows:

Collections

1. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5):

Selected the entity's only deposit site.

2. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- a) Employees that are responsible for cash collections do not share cash drawers/registers:

No exceptions.

- b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit:

No exceptions.

- c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit:

No exceptions.

- d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation:

No exceptions.

3. Inquire of management that all employees who have access to cash are covered by a bond or insurance policy for theft:

No exceptions.

4. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- a) Observe that receipts are sequentially pre-numbered:

Not applicable.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip:

No exceptions.

- c) Trace the deposit slip total to the actual deposit per the bank statement:

No exceptions.

- d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100):

Deposits were not made timely as defined by the above criteria.

- e) Trace the actual deposit per the bank statement to the general ledger:

No exceptions.

Management's Response and Corrective Action

Management's response and corrective action plan for exceptions noted in the above agreed-upon procedures:

- a) **Collections:** Procedure 4(d)

In response to the independent auditors' noted exception stating that collections were not made on a timely basis, it should be noted that although deposits were not made within one day of collection, the deposits made follow the guidelines set forth by our Financial Procedure and Internal Control Policy approved by the CVB Board of Directors. This policy states:

Concerning gift shop receipts, receipts will be deposited each day unless the total collections are under \$500. In this instance, a weekly deposit will be made by the Finance/Administrations Assistant. All collections are locked in a secure location until the deposit is to be sent to the bank.

Concerning checks received by mail, the bank deposit will be performed in a timely manner.

No exceptions noted in the testing period for gift shop deposits exceeded the \$500 minimum collections to require daily depositing. Checks received by mail in the testing period were deposited timely. Management has determined that requiring daily deposits are not financially feasible due to the minimal gift shop collections and infrequent receipt of checks by mail, in addition to operating with a small accounting staff.

No corrective action will be taken.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely for the information and use of the Southwest Louisiana Convention and Visitors Bureau and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Mr. Eray Quirk - Bureau

Lake Charles, Louisiana
August 14, 2020