

**Downtown Development Authority
Shreveport, Louisiana**

Financial Statements With Auditors' Report

As of and For the Year Ended December 31, 2019

Downtown Development Authority
Shreveport, Louisiana

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Independent Auditors' Report

Downtown Development Authority
Shreveport, Louisiana

We have audited the accompanying financial statements of the governmental activities and major fund of Downtown Development Authority, a component unit of the City of Shreveport, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Downtown Development Authority'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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 and major fund of the Downtown Development Authority as of December 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

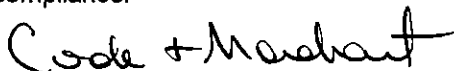
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 7 and on pages 25-26, be presented to supplement the basic financial statements. Such information, although not a part of the 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 Downtown Development Authority, a component unit of the City of Shreveport's, basic financial statements. The accompanying other supplementary information listed in the table of contents as Schedule of Compensation, Benefits, and Other Payments to Agency Head and shown on page 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Schedule of Compensation, Benefits, and Other Payments to Agency Head is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 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 Agency Head is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2020, on our consideration of Downtown Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Downtown Development Authority's 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 Downtown Development Authority's internal control over financial reporting and compliance.



Cook & Morehart
Certified Public Accountants
June 23, 2020

DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF SHREVEPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2019

Our discussion and analysis of Downtown Development Authority's (DDA) financial performance provides an overview of DDA's financial activities for the year ended December 31, 2019. Please read this in conjunction with our financial statements which begin on page 8.

Financial Highlights

- The DDA's net position increased as a result of this year's operations. As shown in the Statement of Activities, net position increased \$230,975 or approximately 13.7 percent compared to prior year.
- The DDA's total revenues increased \$5,891 when compared to prior year.
- Administrative and program expenditures totaled \$1,225,866 for 2019, a decrease of approximately 4.8 percent compared to prior year.

These changes are discussed in detail in the following paragraphs.

Using this Annual Report

This annual report consists of a series of financial statements. The government-wide financial statements, which include the Statement of Net Position and the Statement of Activities, provide information about the activities of the DDA as a whole and present a long-term view of the DDA's finances. The fund financial statements, which include the Balance Sheet-Government Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds, detail how services were financed in the short term as well as what remains for future spending.

The Statement of Net Position and the Statement of Activities

Our analysis of the DDA as a whole is shown at the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the DDA's finances is, "Is the DDA as a whole better or worse as a result of the year's activities?" The Statement of Net position and the Statement of Activities report information about the DDA 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 method 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 DDA's net position and associated changes in them. One can think of the DDA's net position, the difference between assets and liabilities, as one way to measure the DDA's financial health, or financial position. Over time, increases or decreases in the DDA's net position are one indicator of whether its financial health is improving or deteriorating. The reader will need to consider other factors, however, such as changes in the DDA's property tax base, to assess the overall health of the DDA.

In the Statement of Net Position and the Statement of Activities all of the DDA's functions and programs are reported as governmental activities. Property taxes, grants and contracts with the City of Shreveport finance these activities. The DDA does not have business-type activities or component units.

Fund Financial Statements

The fund financial statements include the Balance Sheet-Government Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances-Governmental Funds and provide detailed information about the DDA's government funds. Government funds focus on how money flows into and out of those funds and the balances 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 DDA's government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the DDA's programs. We describe the differences between governmental activities (reported in the Statement of Net Position and Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements.

The DDA has no proprietary (business-type) funds. For purposes of the fund financial statements, all of the DDA's revenues and expenditures are reported in the general fund.

The DDA as a Whole and the DDA's Funds

For DDA, revenue and expenses are essentially the same under the accrual and the modified accrual bases of accounting mentioned earlier. Certain differences apply to accounting for fixed asset acquisitions, depreciation and proceeds of long-term debt. For the statement of net position and statement of activities, fixed assets are recorded at cost in the Statement of Net Position and depreciation is provided for over the estimated useful life of the assets. For the fund statements, fixed assets are accounted for as capital outlay expenditures upon acquisition and no provision for depreciation is necessary. For 2019, disposal and replacement of parking program equipment resulted in a net decrease of \$19,658 in fixed assets. Fixed assets at December 31, 2019 include the following:

Costs Applicable to Acquisition of Building at 708 Texas Street	\$ 82,814
Costs Applicable to Renovation of Building at 710 Texas Street	779,112
Costs Applicable to Acquisition and Renovation of Building at 1215 Texas Street	391,910
Costs Applicable to Acquisition and Renovation of Building at 416 Cotton Street	387,524
Streetscape and Parking Program Equipment	228,753
Office Equipment and Leasehold Improvements	<u>7,097</u>
	<u>\$1,877,210</u>

During December 2004, DDA issued Series 2004 Revenue Bonds. The proceeds from this bond issuance totaled \$3,000,000 and were used for various acquisitions and capital improvement projects in the Downtown Development District in a manner consistent with DDA's 2010 plan previously approved by the Shreveport City Council. During 2009, the DDA retired this bond issue and issued revenue refunding bonds totaling \$1,100,000 in an effort to reduce its total debt service payments. At December 31, 2019, the outstanding principal balance of the bond issue totals \$475,000. The revenue refunding bonds are scheduled to be repaid over a fifteen-year period and principal and interest payments for 2020 are expected to total approximately \$103,596.

As detailed in the following comparative summary of the Statement of Net Position, total assets at the close of the year 2019 increased \$86,064 or approximately 2.5 percent when compared to prior year. This increase in total assets is primarily attributable to the revenues exceeding expenditures for the year by approximately \$231,000 less debt service requirements.

	December 31	
	<u>2019</u>	<u>2018</u>
Assets:		
Cash-Unrestricted	1,594,977	1,356,020
Property Taxes Receivable	738,146	760,862
Other Receivables	45,974	117,055
Capital Assets (Net of Accumulated Depreciation)	1,102,861	1,166,943
Other Assets	<u>12,756</u>	<u>7,770</u>
Total Assets	<u>3,494,714</u>	<u>3,408,650</u>
Liabilities:		
Notes Payable-Revenue Bonds	475,000	555,000
Capital Lease Obligations	263,836	294,143
Other Liabilities	<u>101,200</u>	<u>113,087</u>
Total Liabilities	<u>840,036</u>	<u>962,230</u>
Deferred Revenue-Property Taxes	<u>738,146</u>	<u>760,863</u>
Invested in Capital Assets	839,024	872,802
Restricted		8,376
Unrestricted	<u>1,077,508</u>	<u>804,379</u>
Total Net Position	<u>1,916,532</u>	<u>1,685,557</u>

As the DDA completed the year, its net position totaled \$1,916,532 which is \$230,975 greater than last year's total of \$1,685,557. This increase is detailed in the following comparative summary of the Statement of Activities:

	Year Ended December 31		Increase (Decrease)
	<u>2019</u>	<u>2018</u>	
Revenues:			
Property Taxes	752,183	765,605	(13,422)
Charges for Services	643,210	636,800	6,410
Investment Income	9,065	5,617	3,448
Expense Reimbursements	30,000	30,100	(100)
Miscellaneous	<u>22,383</u>	<u>12,828</u>	<u>9,555</u>
Total Revenue	1,456,841	1,450,950	5,891
Expenditures:			
Administrative	508,790	481,940	26,850
Interest on Long-Term Debt	30,466	34,743	(4,277)
Programs/Projects:			
Parking Services	351,766	391,150	(39,384)
Streetscape Maintenance	276,024	268,532	7,492
Other Programs and Projects	<u>58,820</u>	<u>111,267</u>	<u>(52,447)</u>
Total Expenditures	<u>1,225,866</u>	<u>1,287,632</u>	<u>(61,766)</u>
Change of Net Position	230,975	163,318	<u>67,657</u>
Net Position at Beginning of Year	<u>1,685,557</u>	<u>1,522,239</u>	
Net Position at End of Year	<u>1,916,532</u>	<u>1,685,557</u>	

As detailed in the above table, DDA's total revenues increased \$5,891 and total expenditures decreased \$61,766. The decrease in expenditures is primarily attributable to nonrecurring 2018 grants for Art Space and other downtown development projects. In addition, DDA replaced parking program equipment at a cost of approximately \$36,000 which was capitalized and reported in the Statement of Net Position.

Included at charges for services in the above table are the following:

	Year Ended December 31	
	<u>2019</u>	<u>2018</u>
Contracts with City of Shreveport:		
Parking Services	\$ 362,000	\$ 362,000
Streetscape Maintenance Services	271,686	266,100
Other Streetscape Service Revenues	7,124	6,300
Other Parking Service Revenue	<u>2,400</u>	<u>2,400</u>
	\$ <u>643,210</u>	\$ <u>636,800</u>

Parking Services

DDA has contracted with the City of Shreveport to manage the City's downtown parking system. DDA's basic responsibilities under this contract include:

1. Enforcement of parking and no parking zones.
2. Collection of funds from and maintenance of parking meters.
3. Issuance of parking citations and collection of payments.
4. Recommendations for parking improvements and planning.

Expenses incurred by DDA during 2019 applicable to the parking program totaled \$351,766, a decrease of \$39,384 or approximately 10.1 percent compared to 2018. As described above, this decrease does not include approximately \$36,000 in capital expenditures. Overall, revenues from parking services exceeded expenses by \$12,634.

Streetscape Maintenance Services

DDA entered into a contract with the City of Shreveport to manage and maintain the City's downtown streetscape areas. DDA's basic duties under this contract include landscape maintenance, litter pick-up, street sweeping and holiday decorations. This contract has a one-year term and is renewable annually. Expenses applicable to the streetscape maintenance program totaled \$276,024 for 2019 which is \$2,786 less than streetscape service revenues totaling \$278,810.

General Fund Budgetary Highlights

The DDA submits a budget at the beginning of each year for approval by the DDA board and the City Council. The budget submitted by DDA was not revised during the year.

Actual revenues for the year were greater than budgeted revenues by approximately \$93,000; approximately 6.7 percent of total budgeted revenues. The difference is due primarily to more revenue than expected from the parking and streetscape programs.

Actual expenditures were less than budgeted expenditures by approximately \$144,000 which is primarily attributable to administrative expense savings and less than expected expenditures for downtown development projects.

Next Year's Budget

Revenues under the parking management contract with the City of Shreveport are expected to total \$362,000 for 2020. The base contract for 2020 is consistent with 2019.

Revenues under the streetscape contract with the City of Shreveport are expected to total \$266,100 for 2020 which is consistent with 2019.

Budgeted property tax revenues for 2020 are \$687,664, an expected decrease of approximately 8.6 percent compared to 2019.

It is anticipated that management will consider and monitor the economic uncertainties of COVID-19 and the impact on available financial resources.

Contacting DDA's Financial Management

This financial report is designed to provide taxpayers, customers and creditors with a general overview of the DDA's finances and to show the DDA's accountability for the money it receives. For questions concerning this report or if additional financial information is needed, contact the Downtown Development Authority at 416 Cotton Street, Shreveport, Louisiana, (318) 222-7403.

Downtown Development Authority
Shreveport, Louisiana
Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,594,977
Receivables	784,120
Prepaid expenses	12,756
Capital assets, net	
Non-depreciable	130,237
Depreciable (net)	<u>972,624</u>
Total assets	<u>3,494,714</u>
LIABILITIES	
Accounts payable	12,020
Due to City of Shreveport	25,342
Accrued expenses	23,583
Long-term liabilities:	
Due within one year	156,520
Due in more than one year	<u>622,571</u>
Total liabilities	<u>840,036</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	<u>738,146</u>
NET POSITION	
Net investment in capital assets	839,024
Unrestricted	<u>1,077,508</u>
Total net position	<u><u>\$ 1,916,532</u></u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Statement of Activities
For the Year Ended December 31, 2019

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
<u>Functions and Programs:</u>			
Downtown Development	\$ 567,610	\$	\$ (567,610)
Streetscape Program	276,024	278,810	2,786
Parking Program	351,766	362,000	10,234
Interest on long-term debt	30,466		(30,466)
Total functions and programs	<u>\$ 1,225,866</u>	<u>\$ 640,810</u>	(585,056)
<u>General Revenues:</u>			
Ad valorem taxes			752,183
Interest and investment Earnings			9,065
Expense reimbursements			30,000
Miscellaneous			24,783
Total general revenues			<u>816,031</u>
Change in net position			230,975
Net position at beginning of year			<u>1,685,557</u>
Net position at end of year			<u>\$ 1,916,532</u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Balance Sheet
Governmental Fund
December 31, 2019

	<u>General</u>
Assets	
Cash and cash equivalents	\$ 1,594,977
Receivables	784,120
Total assets	<u>\$ 2,379,097</u>
Liabilities	
Accounts payable	\$ 12,020
Accrued expenses	22,759
Due to City of Shreveport	25,342
Total liabilities	<u>60,121</u>
Deferred inflows of resources	
Unavailable revenue - property taxes	<u>738,146</u>
Fund balance	
Unassigned	<u>1,580,830</u>
Total fund balance	<u>1,580,830</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 2,379,097</u>
Total fund balance - governmental fund	\$ 1,580,830
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 (net of accumulated depreciation of \$774,349).	1,102,861
The nonallocation method of accounting for certain prepayments is used in the fund statements, since the prepayment does not provide expendable financial resources - prepaid insurance	12,756
Long-term liabilities, including bonds payable, capital leases, and accrued interest payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities are shown net of the deferred amount on refunding, which is capitalized and amortized over the life of the bond issue.	<u>(779,915)</u>
Net position of governmental activities	<u>\$ 1,916,532</u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended December 31, 2019

Revenues:	<u>General</u>
Ad valorem taxes	\$ 752,183
Expense reimbursements	30,000
Charges for services	640,810
Miscellaneous	24,783
Interest income	9,065
Total revenues	<u>1,456,841</u>
 Expenditures:	
Current:	
General government:	
Downtown development	499,386
Streetscape maintenance	266,183
Parking services	358,697
Debt Service:	
Principal payment	110,307
Interest and other charges	30,466
Capital outlay	16,688
Total expenditures	<u>1,281,727</u>
 Excess of revenues over expenditures	 175,114
 Fund balance at beginning of year	 <u>1,405,716</u>
 Fund balance at end of year	 <u><u>\$ 1,580,830</u></u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance
of Governmental Fund to the Statement of Activities
For the Year Ended December 31, 2019

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balance of Governmental Funds to the Statement of Activities:

Net change in fund balance - total governmental funds	\$	175,114
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$80,772) exceeded capital outlays (\$16,688) in the current period.		(64,084)
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Repayment of debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		110,307
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Some expenses reported in the statement of activities do not
require the use of current financial resources and therefore
are not reported as expenditures in the funds.

Prepaid insurance		4,986
Accrued leave		4,652

Change in net position of governmental activities	\$	230,975
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See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019

INTRODUCTION

The Downtown Development Authority (DDA), a component unit of the City of Shreveport, is an organization established by an ordinance of the City of Shreveport to provide for the revitalization of downtown Shreveport. Its purpose is to coordinate the efforts of the public and private sectors for the economic and overall development of the Downtown Development District, a special taxing district within the City of Shreveport created by an act of the Louisiana State Legislature. The governing authority of the DDA is a board of directors consisting of seven voting members and two non-voting ex-officio members. The voting members are appointed by the Mayor of the City of Shreveport and confirmed by the City Council for three-year terms. The ex-officio members are the Mayor and the executive director of DDA. The board members do not receive compensation for serving on the board. The governing authority of the DDA board was established by an ordinance of the City of Shreveport.

(1) Summary of Significant Accounting Policies

The Downtown Development Authority's financial statements are prepared in conformity with governmental accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the DDA are discussed below.

A. Reporting Entity

The DDA was determined to be a component unit of the City of Shreveport for the following reasons:

The City of Shreveport appoints the members of the board of directors of DDA. The DDA must submit to the City its proposals, programs and recommendation for the levy of special ad valorem taxes. The City also has the ability to modify or approve the budget of the DDA and its plan of work.

The accompanying financial statements present information only on the funds maintained by the DDA and do not present information on the City of Shreveport, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

B. Basic Financial Statements – Government-Wide Statements

The DDA's basic financial statements include both government-wide (reporting the funds maintained by the DDA as a whole) and fund financial statements (reporting the DDA's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The DDA's general fund is classified as a governmental activity. The DDA does not have any business-type activities, component units, or fiduciary funds.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

In the government-wide Statement of Net Position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as all long-term debt and obligations. The DDA's net position is reported in two parts – net investment in capital assets and unrestricted net position. The DDA first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the DDA's functions. The functions are also supported by general government revenues (property taxes, expense reimbursements, and interest income). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues and operating grants. Program revenues must be directly associated with the function. Program revenues of DDA include contractual payments under its parking and streetscape programs. Operating grants include operating-specific and discretionary (either operating or capital) grants. The net costs (by function) are normally covered by general revenue (property taxes, expense reimbursements, interest income, etc.).

This government-wide focus is more on the sustainability of the DDA as an entity and the change in the DDA's net assets resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the DDA are recorded in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the DDA:

1. Governmental Funds – the focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the DDA:
 - a. General fund – Currently the DDA has only one fund, the general fund, which is used to account for all financial resources and expenditures.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

1. Accrual:

The governmental funds in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

2. Modified Accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under modified accrual basis of accounting, revenues are recorded when susceptible to accrual: i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt is recognized when due. Depreciation is not recognized in the governmental fund financial statements.

E. Cash and Cash Equivalents

Cash includes amounts in petty cash, demand deposits, and interest bearing demand deposits. Cash equivalents include amounts in time deposits with original maturities of ninety (90) days or less when purchased. Under state law, the DDA 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 R.S. 33:2955 and the DDA's investment policy. If the original maturities of investments exceed ninety (90) days, they are classified as investments; however, if the original maturities are ninety (90) days or less, they are classified as cash equivalents.

F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

G. Capital Assets

Capital assets purchased or acquired in excess of \$5,000 are reported at historical cost or estimated historical cost. Contributed assets are reported at their acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Equipment	7 years
Furniture and fixtures	7 years
Vehicles	5 - 7 years
Buildings and improvements	30 years

For fund financial statements, capital assets are recorded as expenditures in the governmental funds at the time purchased. No depreciation is recorded in the fund financial statements.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

H. Long-term Debt

All long-term debt to be repaid from governmental resources are reported as liabilities in the government-wide statements. The long-term debt consists of revenue refunding bonds and a capital lease.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest are reported as expenditures.

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

J. Compensated Absences

DDA's formal leave policy provides for the accumulation or vesting of leave. Employees are allowed to carryover a maximum of ten days of leave to the following year. Carryover days not used in the subsequent year are forfeited.

K. Net Position

Government-wide net position is divided into three components: Net investment in capital assets consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets. Restricted net position consists of assets that are restricted by the DDA's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors (less related liabilities and deferred inflows of resources). All other net position is reported as unrestricted net position. When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), DDA's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

L. Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

1. Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.
2. Restricted - amounts that can be spent only for specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

3. Committed - amounts that can be used only for the specific purposes as a result of constraints imposed by the board of directors (the DDA's highest level of decision making authority). Committed amounts cannot be used for any other purpose unless the board of directors remove those constraints by taking the same type of action (i.e. legislation, resolution, ordinance).
4. Assigned - amounts that are constrained by the DDA's intent to be used for specific purposes, but are neither restricted nor committed.
5. Unassigned - all amounts not included in other spendable classifications

The DDA's policy is to apply expenditures against restricted fund balance and then to other, less-restrictive classifications – committed and then assigned fund balances before using unassigned fund balances.

The calculation of fund balance amounts begins with the determination of nonspendable fund balances. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purpose amounts exceeds the positive fund balance for the non-general fund.

M. Deferred Outflows / Inflows of Resources

DDA's statement of net position may report a separate section for *deferred outflows of resources*. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. At this time, DDA has no transactions that meet the definition of deferred outflows of resources.

DDA's governmental activities and governmental fund reports a separate section for *deferred inflows of resources*. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The DDA has only one item that meets this definition and qualifies for reporting in this category. Accordingly, the item "unavailable revenue" is reported in the governmental fund balance sheet and statement of net position. The DDA reports unavailable revenue from one source: property taxes. These amounts are deferred and recognized as an inflow of resources in the period for which the amounts were levied and budgeted.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

(2) Ad Valorem Taxes

Ad valorem tax revenues collected by the DDA in the year 2019 totaled \$752,183 at a millage rate of 8.64. DDA's receivable for ad valorem taxes is subject to adjustment by the Louisiana Tax Commission and a possible adjustment depending on final ad valorem tax receipts. Ad valorem taxes are levied on December 1 and due by December 31 of each year. The current expiration of the levy is 2026. The City of Shreveport collects the ad valorem taxes and remits to DDA periodically. Since the 2019 tax levy is intended to fund the 2020 fiscal year, the levy has been recorded as a receivable and deferred inflow of resources. Amounts recognized as revenue from property taxes in 2019 represent collections in 2019 of the 2018 tax levy.

Approximately 19% of DDA's tax revenues are derived from two taxpayers, and a total of 56% is derived from ten taxpayers.

(3) Budgets

DDA's budgetary calendar is January 1 through December 31 of each year. The 2019 budget, prepared by the Executive Director, was approved by the DDA board and the City Council. An abbreviated version of the budget as illustrated in the city ordinance was published in official journal of the City newspaper. There were no amendments to the 2019 budget during the year. Unexpended budget balances lapse at the end of the year.

The 2019 budget was adopted on the cash basis of accounting except for certain accounts receivable, accounts payable, and payroll related payables which are recorded by DDA.

(4) Tax Abatements

As of December 31, 2019, DDA is subject to tax abatement agreements which were entered into by the State of Louisiana through the Restoration Tax Abatement Program (RTA). The RTA program is a program, which provides an up to ten-year abatement of a portion of ad valorem property taxes on the renovations and improvements of existing commercial structures and owner-occupied residences. It is a five-year award with an option for a five-year renewal with local governing authority approval. The legal authority is Louisiana Revised Statute 47:4311, et seq. DDA has not made any commitments as part of the agreements other than to reduce taxes.

Restoration Tax Abatement Program (RTA): Eligibility Criteria: This incentive is open to all Louisiana businesses and homeowners with existing structures to be expanded, restored, improved or developed in qualifying locations, and as approved by the local governing authority. Qualifying locations for properties include Downtown Development Districts, Historic Districts (includes properties listed on the National Register of Historic Places), and Economic Development Districts. Eligible expenses are building and materials, machinery and equipment (only that which becomes an integral part of the structure), and labor and engineering.

Mechanism By Which the Taxes are Abated: The property tax valuation before the restoration is frozen, whereby the property owner is not taxed on the increase in value that they would otherwise have to pay for the restoration. 61 Provisions for Recapturing Abated Taxes: Per LA R.S. 47:1313, any remaining portion of the exemption provided may be terminated for a violation of the contract.

Gross Dollar Amount by Which DDA's Tax Revenues Were Reduced: DDA estimates property tax revenues have been reduced by \$23,198 for the year.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

(5) Cash and Cash Equivalents

At December 31, 2019, the DDA has cash and cash equivalents (book balances) totaling \$1,594,977, as detailed below.

A. Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2019 (book balances) totaled \$1,594,977. 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.

B. Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2019, \$1,369,868 of the DDA's bank balances totaling \$1,619,868, were exposed to custodial credit risk as uninsured and collateral held by the pledging bank's trust department not in DDA's name.

Even though deposit amounts protected by the pledged securities are considered (Category 2) under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the clerk that the fiscal agent has failed to pay deposited funds upon demand.

(6) Accounts Receivable

The following is a summary of receivables at December 31, 2019:

<u>Class of Receivable</u>	<u>Amount</u>
Property taxes	\$ 738,146
City Contracts	41,772
Related party receivables – DSDC and DSU	<u>4,202</u>
Total	<u>\$ 784,120</u>

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

(7) Capital Assets

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

	Balance at Jan. 1, 2019	Additions	Deletions	Balance at Dec. 31, 2019
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Idle assets	\$ 50,237	\$	\$	\$ 50,237
Land	80,000			80,000
Total Capital assets, not being depreciated	<u>130,237</u>			<u>130,237</u>
Capital assets, being depreciated:				
Buildings	1,511,123			1,511,123
Equipment and furniture	7,097			7,097
Streetscape equipment	132,709		(578)	132,131
Parking program equipment	115,703	16,688	(35,769)	96,622
Total capital assets, being depreciated, at historical cost	<u>1,766,632</u>	<u>16,688</u>	<u>(36,347)</u>	<u>1,746,973</u>
Less accumulated depreciation:				
Buildings	(550,643)	(62,531)		(613,174)
Equipment and furniture	(888)			(888)
Streetscape equipment	(67,763)	(12,347)	578	(79,532)
Parking program equipment	(110,630)	(5,894)	35,769	(80,755)
Total accumulated depreciation	<u>(729,924)</u>	<u>(80,772)</u>	<u>36,347</u>	<u>(774,349)</u>
Total capital assets, being depreciated, net	<u>1,036,708</u>	<u>(64,084)</u>		<u>972,624</u>
Governmental activities capital assets, net	<u>\$ 1,166,945</u>	<u>\$ (64,084)</u>	<u>\$</u>	<u>\$ 1,102,861</u>

Depreciation expense for the year ended December 31, 2019 was charged to the various functions follows:

Downtown Development	\$ 62,531
Streetscape Program	12,347
Parking Program	<u>5,894</u>
Total	<u>\$ 80,772</u>

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

(8) Operating Leases

The DDA leases certain equipment under an operating lease. Rental costs on the lease for the year ended December 31, 2019, were \$2,520.

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

For the Year Ending December 31, 2020	\$ <u>1,260</u>
---	-----------------

(9) Retirement Plan

DDA provides a Deferred Compensation Plan pursuant to Section 457 of the Internal Revenue Code and a Governmental 401(a) Money Purchase Plan. DDA's Plan does not meet the criteria established under GASB, therefore, the plan's assets and liabilities are not presented in the financial statements of DDA. Required contributions to the plan, equal to 3% of covered payroll, amounted to \$19,215 for the year ended December 31, 2019. Account balances are fully vested after five years of service. Employer contributions are reported as follows for the year ended December 31, 2019:

Administrative	\$ 9,645
Street	4,382
Parking	<u>5,188</u>
Total	<u>\$ 19,215</u>

(10) Risk Management

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

(11) Subsequent events

Subsequent events have been evaluated through June 23, 2020, the date the financial statements were available to be issued.

As a result of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact financial resources. While the duration on the economic impact is expected to be temporary, there is considerable uncertainty around the duration. The related financial impact and duration cannot be reasonably estimated at this time.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

(12) Long-term Debt

Changes in long-term debt for the year ended December 31, 2019 are summarized as follows:

	<u>Balance</u> <u>12/31/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/19</u>	<u>Amount Due</u> <u>Within One Year</u>
Notes from direct borrowings and direct placement:					
Refunding Bonds	\$ 555,000	\$	\$ 80,000	\$ 475,000	\$ 85,000
Other liabilities:					
Capital Lease-building	294,143		30,307	263,836	31,265
Compensated absences	<u>45,365</u>		<u>1,429</u>	<u>43,936</u>	<u>43,936</u>
	<u>\$ 894,508</u>	<u>\$</u>	<u>\$ 111,736</u>	782,772	160,201
Less current portion				<u>(3,681)</u>	<u>(3,681)</u>
Total long-term liabilities, governmental activities				<u>\$ 779,091</u>	<u>\$ 156,520</u>

Refunding Bonds

Refunding Bonds, Series 2009, dated November 2, 2009, semi-annual payments of interest only and annual payments of principle and interest. Annual debt service of approximately \$113,000. Interest rate of 3.915%. Final payment November 1, 2024.

	\$ 475,000
Less current installments on long-term debt	<u>(85,000)</u>
Total non-current liabilities	<u>\$ 390,000</u>

In November, 2009, DDA issued \$1,100,000 in revenue refunding bonds, series 2009, with at interest rate of 6.0 percent, to refund \$2,275,000 of outstanding revenue bonds, series 2004, with an interest rate of 5.88 percent. The amount deferred on refunding is the difference between reacquisition price of the old debt (principal amount remaining on the old debt plus call premium paid to refund the debt) and the net carrying amount of the old debt (amount due at maturity for the old debt minus the unamortized debt issue costs related to the old debt.). This amount is reported as deferred outflows of resources and amortized over the remaining life of the original revenue bonds, which is shorter than the original life of the new debt. The balance of the deferred outflows of resources as of December 31, 2019, is \$0.

During 2013, DDA obtained an interest rate reduction, lowering the interest rate from 6.0% to 3.915%.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

Annual requirements to retire long-term debt are as follows:

Year Ending December 31,	Revenue Bonds		
	Principal	Interest	Total
2020	\$ 85,000	\$ 18,596	\$ 103,596
2021	90,000	15,268	105,268
2022	95,000	11,746	106,746
2023	100,000	8,026	108,026
2024	105,000	4,111	109,111
	<u>\$ 475,000</u>	<u>\$ 57,747</u>	<u>\$ 532,747</u>

Capital Lease - Building

During 2015, DDA entered into a triple net commercial lease agreement to lease certain immovable property and all improvements located thereon. The lease agreement qualifies as a capital lease for accounting purposes. The property is included in capital assets at a cost of \$387,524, with accumulated depreciation totaling \$59,205 as of December 31, 2019. Interest has been imputed at a rate of 3.117%, and DDA will make monthly payments through August 2027. The debt service requirements to maturity are as follows:

Year Ending December 31,	
2020	\$ 39,048
2021	39,048
2022	39,048
2023	39,048
2024	39,048
2025-2027	<u>101,456</u>
Total minimum lease payments	296,696
Less amounts representing interest	<u>(32,860)</u>
Present value of minimum lease payments	<u>\$ 263,836</u>

(13) Accrued Expenses

Accrued expenses at December 31, 2019, consisted of the following:

Accrued Leave	\$ 3,681
Payroll related	15,792
Miscellaneous	<u>3,286</u>
Total – fund statements	22,759
Accrued interest	<u>824</u>
Total – Government-wide statements	<u>\$ 23,583</u>

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2019
(Continued)

(14) Related Party Transactions

Contracts with City of Shreveport

DDA has entered into two contracts with the City of Shreveport. The following provides information in regards to those contracts.

- (1) Management and maintenance services for the streetscape areas: DDA has a contract with the City of Shreveport to manage and maintain the downtown streetscape areas. Payments under this contract for 2019 total \$271,686.
- (2) Parking system management: DDA has a contract with City of Shreveport to manage the downtown parking system. Payments under this contract for 2019 total \$362,000. Included in this amount is \$30,167 due from the City of Shreveport at December 31, 2019.

Downtown Shreveport Development Corporation Activity

Downtown Shreveport Development Corporation (DSDC), a nonprofit organization, utilizes the professional staff of DDA. DDA has entered into a contract with DSDC, effective January 1, 2019 through December 31, 2019. The following provides information in regards to the contract.

DSDC will pay DDA for administrative services. Amounts paid to DDA by DSDC for administrative services for 2019 was \$30,000.

DSDC will pay DDA to operate and manage a downtown parking lot. Amounts earned by DDA for this service for 2019 was \$2,400.

DSDC will pay DDA for streetscape services for a downtown parking lot leased by DSDC. Amounts earned by DDA for this service for 2019 was \$6,300.

DDA entered into a triple net commercial lease with DSDC to lease certain immovable property and improvements located thereon. The lease qualifies as a capital lease for accounting purposes. Total payments made during 2019 under this lease were \$39,045.

Downtown Development Authority
Shreveport, Louisiana
Budgetary Comparison Schedule
Governmental Fund - General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts	Actual Amounts	Variance with Final Budget
	Original & Final	(Budgetary Basis)	Positive (Negative)
Revenues:			
Property taxes	\$ 736,592	\$ 752,183	\$ 15,591
Expense reimbursements	30,000	30,000	
Charges for services	634,400	693,944	59,544
Miscellaneous income	10,900	24,783	13,883
Interest income	5,100	9,065	3,965
Total revenues	<u>1,416,992</u>	<u>1,509,975</u>	<u>92,983</u>
Expenditures:			
Current:			
General government:			
Downtown development	641,816	506,763	135,053
Streetscape maintenance	272,400	267,327	5,073
Parking services	362,000	358,495	3,505
Debt Service:			
Principal payment	119,048	110,307	8,741
Interest and other charges	21,728	30,466	(8,738)
Capital Outlay		16,688	(16,688)
Total expenditures	<u>1,416,992</u>	<u>1,290,046</u>	<u>126,946</u>
Excess of revenues over expenditures		219,929	219,929
Fund balance at beginning of year		1,348,941	1,348,941
Fund balance at end of year	<u>\$</u>	<u>\$ 1,568,870</u>	<u>\$ 1,568,870</u>

Downtown Development Authority
Shreveport, Louisiana
Notes to Required Supplementary Information
December 31, 2019

The 2019 budget was adopted on the cash basis of accounting except for certain accounts receivable, accounts payable, and payroll related payables which are recorded by DDA. There were no amendments to the 2019 budget. Budget comparison statements included in the accompanying financial statements include the original and amended budget. The schedule below reconciles excess (deficiency) of revenues and other sources over expenditures and other uses on the budget basis with GAAP basis:

	<u>General Fund</u>
Excess of revenues and other sources over expenditures and other uses (budget basis)	\$ 219,929
Adjustments:	
Expenditure accruals – net	(53,134)
Revenue accruals – net	<u>8,319</u>
Excess of revenues and other sources over expenditures and other uses (GAAP basis)	<u>\$ 175,114</u>

Downtown Development Authority
Shreveport, Louisiana
Other Supplementary Information
Schedule of Compensation, Benefits, and Other Payments to Agency Head
For the Year Ended December 31, 2019

Agency Head: Liz Swaine, Executive Director

Purpose	Amount
Salary	\$ 119,408
Benefits-insurance	19,394
Benefits-retirement	3,690
Benefits-other	504
Car allowance	3,600
Reimbursements	28
Registration fees	75
Special meals	995

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

Independent Auditors' Report

Downtown Development Authority
Shreveport, Louisiana

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major fund of the Downtown Development Authority as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Downtown Development Authority's basic financial statements, and have issued our report thereon June 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Downtown Development Authority'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 Downtown Development Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Downtown Development Authority'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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

As part of obtaining reasonable assurance about whether Downtown Development Authority's financial statements are free from material misstatement, 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Current Year Audit Findings as item 2019-001.

Downtown Development Authority's Response to Finding

Downtown Development Authority's response to the finding identified in our audit is described in the accompanying schedule of current year audit findings. Downtown Development Authority'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.



Cook & Morehart
Certified Public Accountants
June 23, 2020

Downtown Development Authority
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2019

Summary Schedule of Prior Audit Findings

There was one finding in the prior audit for the year ended December 31, 2018.

2018-001 – Unsecured Deposits

Condition: At December 31, 2018, bank balances totaling \$24,712 were uninsured.

Current Status: No finding reported in current year audit.

Schedule of Current Year Audit Findings

There is one finding in the current audit for the year ended December 31, 2019, as described below.

2019-001 - Budget

Criteria: The Local Government Budget Act sets forth the requirements for adopting and amending the Town's budget.

Finding: The budget was adopted at the September 26, 2018, board meeting. However, the DDA did not advertise the availability of the budget for public inspection 10 days prior to the public hearing held to adopt the budget.

Cause: The official journal of DDA did not publish the advertisement regarding the availability of the budget for public inspection prior to the public hearing to adopt, as requested by DDA.

Effect: DDA was not in compliance with the Local Government Budget Act.

Recommendation: We recommend that DDA advertise the availability of the budget for public inspection prior to adoption, as required by the Local Government Budget Act.

Management's Response: It was the intent of DDA to advertise the budget for public inspection 10 days prior to the adoption. However, due to a mistake made by the official journal, the advertisement did not run 10 days prior to the adoption.

COOK & MOREHART

Certified Public Accountants

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Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Downtown Development Authority
Shreveport, Louisiana
and the Louisiana Legislative Auditor

We have performed the procedures enumerated below, which were agreed to by the Downtown Development Authority, 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 Downtown Development Authority's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of Government Auditing Standards. The sufficiency of these procedures is solely the responsibility of the specified users of this report. 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:

Written Policies and Procedures

1. Obtain the entity's written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
 - c) ***Disbursements***, including processing, reviewing, and approving
 - d) ***Receipts***, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collection for each type of revenue or agency fund additions.
 - e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statutes 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) Continuing disclosures/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Management provided written policies and procedures addressing all of the above.

Board (or Finance Committee, if applicable)

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

Bank Reconciliations

3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

Management provided the requested information, along with management's representation that the listing is complete.

- a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged);

Bank reconciliations selected included evidence that they were prepared within 2 months of the related statement closing date

- b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and

Bank reconciliations selected included evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation.

- c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Bank reconciliations selected did not have items that have been outstanding for more than 12 months.

Collections

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

Management provided the requested information, along with management's representation that the listing is complete.

- 5. 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:

Management provided the requested information, along with management's representation that the listing is complete.

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

Each person responsible for collecting cash was not responsible for both preparing the deposit and reconciling collection documentation and for recording the related transaction.

Exception: Employees who collect parking fines and fees share the same cash drawer. In addition, the employee responsible for preparing some deposits is also responsible for reconciling the bank account.

Management's Response: Daily work and deposits are reviewed by someone independent of the collection process.

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

All employees are covered by a blanket insurance policy for theft.

- 7. 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.

- b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
- c) Trace the deposit slip total to the actual deposit per the bank statement.
- 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).
- e) Trace the actual deposit per the bank statement to the general ledger.

The deposits selected for testing contained sequentially pre-numbered receipts (as applicable), receipts were traced to the deposit slip (as applicable), the deposit slip total was located on the bank statement, the deposit was made within one business day, and the actual deposit was traced to the general ledger.

Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

Management provided the requested information, along with management's representation that the listing is complete.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

Segregation of duties exists as noted above, except as noted below.

Exception: The employee responsible for processing payments is the same employee responsible for adding vendors to the system.

Management's Response: Management approves all vendor payments prior to issuance.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original invoice/billing statement.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.

Management provided the requested information, along with management's representation that the listing is complete. For the transactions selected for testing, the disbursement matched the related original invoice and included evidence of segregation of duties, except as noted below.

Exception: The employee responsible for processing payments is the same employee responsible for adding vendors to the system.

Management's Response: Management approves all vendor payments prior to issuance.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

Travel and Expense Reimbursement

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

Contracts

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

Payroll and Personnel

16. Obtain a listing of employees/elected officials employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

Management provided the requested information, along with management's representation that the listing is complete. For the 5 employees selected for testing, the paid salaries agreed with the authorized salaries/pay rates in the personnel files.

17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:

- a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

For the transactions selected for testing, the daily attendance and leave were documented, except as noted below:

Exception: Three of the five employees selected for testing did not have a timesheet for the pay period selected. Those three employees were salaried employees.

Management's Response: Salaried employees do not complete timesheets, per DDA policies. All payroll transactions are approved by management prior to payment.

- b) Observe that supervisors approved the attendance and leave of the selected employees/officials.

Transactions selected for testing contained evidence that supervisors approved the attendance and leave of the selected employees, except as noted below.

Exception: Three of the five employees selected for testing did not have a timesheet for the pay period selected. Those three employees were salaried employees.

Management's Response: Salaried employees do not complete timesheets, per DDA policies. All payroll transactions are approved by management prior to payment.

- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.

For the transactions selected for testing, leave accrued or taken was reflected in the entity's leave records.

- 18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees/officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations, agree the hours to the employee/officials' cumulative leave records, and agree the pay rates to the employee/officials' authorized pay rates in the employee/officials' personnel files.

Management provided the requested information, along with management's representation that the listing is complete. For the one employee/official selected for testing, the related documentation for hours and pay rates used in calculating termination benefits were in agreement with the authorized rates and leave balances in the employee/officials' personnel files and cumulative leave records.

- 19. Obtain management's representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and associated forms have been filed, by required deadlines.

Management provided representation that employer and employee portions of payroll taxes, retirement contributions, health insurance premiums, and workers' compensation premiums have been paid, and the associated forms have been filed by the required deadlines.

Ethics (excluding nonprofits)

- 20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:

- a. Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
- b. Observe that the documentation demonstrates each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Management maintained documentation that each employee/official completed one hour of ethics training during the fiscal period, and that each employee/official attested through signature verification that he or she has read the entity's ethics policy during the fiscal period.

Debt Service (excluding nonprofits)

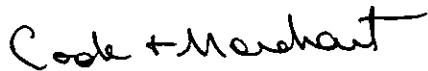
Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

Other

Testing not required for this area for the fiscal period January 1, 2019 through December 31, 2019, due to no exceptions being noted in prior year.

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 to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Cook & Morehart
Certified Public Accountants
June 23, 2020