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BOONVILLE REVENUE AUTHORITY
CITY OF SHREVEPORT
COLLECTIONS

9287

<u>LISTED FINANCIAL STATEMENTS</u>	<u>Letter</u>	<u>Page Number</u>
Independent Auditors' Report		
Balance Sheet-All Fund Types and Account Groups at December 31, 1997		1
Governmental Funds	A	2
Statement of Revenues, Expenditures, and Changes in Fund Balance-All Governmental Fund Types for the Year Ended December 31, 1997	B	3
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual (Budgetary Basis)-All Governmental Fund Types-For the Year Ended December 31, 1997	C	4
Notes to Financial Statements at December 31, 1997	D	7
<u>OTHER REPORTS</u>		
Independent Auditors' Report on Compliance with Laws and Regulations		13
Independent Auditors' Report on Internal Control		14

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date DEC 25 1998

Cole, Evans & Peirson

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March 3, 1998

INDEPENDENT AUDITORS' REPORT

Board of Directors
Downtown Development Authority
Shreveport, Louisiana

We have audited the accompanying financial statements of the Downtown Development Authority, a component unit of the City of Shreveport, at December 31, 1997 and for the year then ended. These financial statements are the responsibility of the Downtown Development Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Development Authority at December 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards we have also issued a report dated March 3, 1998 on our consideration of Downtown Development Authority's internal control and a report dated March 3, 1998 on its compliance with laws and regulations.

Eric Evans, CPA
Eric Evans & Peirson

BLANKEN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
AT DECEMBER 31, 1997

ASSETS	General Fund	General Fixed Assets Account Group	Totals (Memorandum Only)
Cash and Cash Equivalents (Note 6)	451,624		451,624
Property Taxes Receivable-1996 (Note 7)	496,600		496,600
Grant Receivable from City of Shreveport (Note 2)	1,700		1,700
Due from Downtown Shreveport Unlimited (Note 2)	1,884		1,884
Prepaid Expenses	3,108		3,108
Security Deposit	400		400
Furniture, Fixtures, and Equipment (Note 8)	-----	121,799	121,799
Total Assets	<u>951,316</u>	<u>121,799</u>	<u>1,073,115</u>
<u>LIABILITIES</u>			
<u>AND FUND EQUITY</u>			
Liabilities:			
Accounts Payable	67,717		67,717
Accrued and Withheld Payroll Taxes	1,915		1,915
Total Liabilities	<u>69,632</u>	<u>- 0 -</u>	<u>69,632</u>
Fund Equity:			
Investment in General Fixed Assets		121,799	121,799
Fund Balance:			
Reserved for Downtown Shreveport Development Corporation (Note 2)	58,808		58,808
Unreserved/Unassigned	387,654		387,654
Total Fund Balance	<u>446,462</u>	<u>-----</u>	<u>446,462</u>
Total Fund Equity	<u>446,462</u>	<u>121,799</u>	<u>568,261</u>
Total Liabilities and Fund Equity	<u>507,316</u>	<u>121,799</u>	<u>1,029,115</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997

		<u>General Fund</u>
Revenues:		
City of Shreveport-1997 Property Taxes (Note 7)	496,608	
1996 Property Tax Adjustment (Note 7)	11,814	
Expense Reimbursements (Note 1)	19,508	
Investment Income	16,608	
Urban Development Action Grant (Note 4)	47,888	
Grant Revenue-City of Shreveport (Note 2)	140,715	
Total Revenues		793,131
Expenditures:		
Administrative:		
Salaries	177,693	
Payroll Taxes	13,241	
Retirement Plan (Notes 3 and 9)	4,328	
Medical Insurance	10,884	
Legal	1,694	
Auditing and Consulting Services	9,718	
Bookkeeping	4,208	
Insurance-General	11,322	
Fees and Subscriptions	4,733	
Postage	2,374	
Printing	3,242	
Office Supplies	26,248	
Automobile and Parking	3,913	
Dining and Entertainment	2,648	
Board Travel and Recruiting	7,641	
Seminars and Training Programs	883	
Office Equipment Rental	13,324	
Telephone	11,418	
Repairs and Maintenance	2,261	
Utilities	2,262	
Total Administrative		312,446

The Accompanying Notes Are An Integral Part Of These Financial Statements

**DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE,
ALL GOVERNMENTAL FUND TYPES:
FOR THE YEAR ENDED DECEMBER 31, 1997**

	<u>General Fund</u>
<u>Expenditures: (Continued)</u>	
Programs/Projects:	
Streetscape Maintenance (Note 10)	214,465
Marketing Materials	8,805
Recreation Development	9,894
Downtown Office Recruitment	13,582
Downtown Security	19,544
Residential Rehabilitation Plan	20,808
Contract Prospect Curves	13,848
Vision 2000	1,808
Event Sponsorship	2,709
Warehouse Expense (Note 3)	6,833
Image Campaign	6,242
Downtown Christmas Lighting	8,911
Downtown Saturday Night/Arts District	58,857
Advertising Consortium	3,452
Total Programs/Projects	<u>791,741</u>
Total Expenditures	<u>798,180</u>
<u>Excess of Revenues Over Expenditures</u>	<u>-6,439</u>
<u>Fund Balance at Beginning of Year</u>	<u>825,436</u>
<u>Fund Balance at End of Year</u>	<u>818,997</u>

The Accompanying Notes Are An Integral Part Of These Financial Statements

DOWNTOWN DEVELOPMENT AUTHORITY

CITY OF STREVSPOET

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS)-ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 1997**

	Budget	Actual on Budgetary Basis	Variance
Revenues:			
City of Strevsport-1997 Property Taxes	481,317	494,660	13,343
1996 Property Tax Adjustment	18,000	11,934	(6,066)
Expense Reimbursements	18,500	18,500	
Investment Income	25,000	18,668	(6,332)
Urban Development Action Grant	43,000	43,000	
Grant Revenues-City of Strevsport		168,700	168,700
Total Revenues	585,817	753,462	167,645
Expenditures:			
Administrative	372,017	312,539	59,478
Programs/Projects:			
Scenescape Maintenance	92,000	217,373	(125,373)
Marketing Materials	8,740	8,800	(60)
Riverfront Development		5,894	(5,894)
Downtown Security	20,000	19,344	656
Downtown Banner Program	2,000		2,000
Vision 2000	1,000	1,000	
Event Sponsorship	3,500	2,789	711
Warehouse Expense	6,000	6,003	(3)
Historic Walking Tour	2,000		2,000
Downtown Christmas Lighting	10,000	8,911	1,089
Downtown Saturday Night/Vets District	10,000	50,057	(40,057)
Databases	2,000		2,000
Advertising Conventions	2,000	5,453	(3,453)
Annual Report	2,000		2,000
Prospect Recruiting	41,250		41,250
Marketing Conventions	12,000		12,000
Marketing Survey	3,000		3,000
Services for Prospect Canvassing	20,000	13,048	6,952
Downtown Office Recruitment		18,538	(18,538)
Residential Rehabilitation Plan		20,000	(20,000)

The Accompanying Notes Are An Integral Part Of These Financial Statements

DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (BUDGETARY BASIS-ALL GOVERNMENTAL FUND TYPES)
FOR THE YEAR ENDED DECEMBER 31, 1997

	<u>Budget</u>	<u>Actual on De-Jocery Basis</u>	<u>Variance</u>
Expenditures: (Continued)			
Shopping/Parking Awareness	2,000		2,000
Image Campaign	<u>8,000</u>	<u>6,241</u>	<u>1,759</u>
Total Programs/Projects	<u>267,202</u>	<u>482,786</u>	<u>(215,584)</u>
Total Expenditures	<u>659,267</u>	<u>756,129</u>	<u>(96,862)</u>
Excess (Or, Deficiency) of Revenues Over Expenditures	(18,404)	24,086	<u>42,490</u>
Final Balance at Beginning of Year (GAAP Basis)	<u>825,435</u>	<u>825,435</u>	
Final Balance at End of Year (Budgetary Basis)	<u>336,985</u>	<u>849,521</u>	
Add-December 31, 1996 Payables Included in 1997 Budgeted Expenditures (Note 11)		<u>18,142</u>	
Final Balance at End of Year (GAAP Basis)		<u>867,663</u>	

The Accompanying Notes Are An Integral Part Of These Financial Statements

DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

A summary of significant accounting policies follows:

Basis of Presentation

The accompanying financial statements of the Downtown Development Authority (DDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. Application of GAAP often requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The Downtown Development Authority, a component unit of the City of Shreveport, is a quasi-public corporation 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. DDA has four full-time salaried employees (including the executive director) and nine hourly employees.

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

The City of Shreveport has the ability to impose its will on DDA through approval or modification of its budget.

The DDA imposes a financial burden on the City because the City levies the ad valorem taxes dedicated for DDA's purpose.

The accompanying financial statements present information only on the funds maintained by the DDA, and do not present information on the City of Shreveport.

DDA has no component units since it has no substantial authority to control the affairs of other governmental entities.

QUANTICO DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (continued)

Fund Accounting

DDA uses funds and account groups to report its financial position and 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. 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 following funds and account groups are used by DDA:

General Fund-This fund is the general operating fund of DDA. It is used to account for all financial resources except those required to be accounted for in other funds. The general fund is a governmental fund.

General Fixed Asset Account Group-This account group is established to account for all fixed assets of DDA and is used to maintain accounting control over these fixed assets.

Basis of Accounting

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

Revenues-Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. See Note 7 concerning revenues from property taxes.

Expenditures-Administrative and program/projects expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

Fiscal Year

DDA's budgetary calendar is January 1 through December 31 of each year. The 1987 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 *The Times* newspaper. The 1991 budget was not amended. Unexpended budget balances lapse at the end of each year. Outstanding encumbrances at year end are recorded as current liabilities.

DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets (Continued)

The 1997 budget was adopted on a basis substantially consistent with generally accepted accounting principles (GAAP) except that liabilities at December 31, 1996 were treated as budgeted expenditures for 1997, the year the money was scheduled to be expended. The adjustments necessary to convert the general fund actual expenditures in accordance with GAAP to the budgetary basis amounts presented in Exhibit C are disclosed at Note 11.

Fixed Assets

Fixed assets are recorded as expenditures at the time purchased and the related assets are capitalized (reported) in the general fixed assets account group. All assets are recorded at cost. Depreciation is not provided on general fixed assets.

Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposit, money market accounts and highly liquid debt instruments acquired with maturities of three months or less. Under state law, DDAA may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal office in Louisiana.

Compensated Absence

The DDAA's formal leave policy does not provide for the accumulation or vesting of leave and accordingly no liability is recorded in the financial statements.

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or lay-off (segregated for a specific future use). Designated fund balances represent tentative plans for future use of financial resources.

Total Columns on Statements

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

DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHERBORNE
NOTES TO FINANCIAL STATEMENTS

Note 2 - Related Party Transactions

DDA has appropriated \$50,000 for use by Downtown Sherborne Development Corporation (DSDC), an organization which utilizes the professional staff of DDA, in making loans to qualifying downtown businesses for the revitalization of downtown Sherborne. DDA has agreed to transfer all or part of these funds to DSDC as additional loans are made.

DDA receives board approved reimbursements from DSDC for administrative services provided. During 1997, DDA received \$8,560 from DSDC for administrative services rendered.

DDA also provides administrative services to Downtown Sherborne Unlimited (DSU), an organization utilizing the professional staff of DDA. For the year ended December 31, 1997, DDA received \$11,000 from DSU for administrative services rendered. In 1997 DDA is, per serving as paymaster for an employee hired exclusively for DSU. DSU reimburses DDA for the employee's gross payroll, payroll taxes, worker's compensation insurance, health insurance premiums and retirement contributions. Reimbursements due from DSU total \$1,884 at December 31, 1997.

For the year ended December 31, 1997, the City of Sherborne committed \$160,769 for Streetscape Maintenance and job training of which \$1,780 is owed to DDA at December 31, 1997.

Note 3 - Leases and Commitments

DDA leases its offices from the Sherborne Chamber of Commerce. The lease is for a term of 10 years and began in June of 1983. Under the lease terms no rent payments are required other than DDA's reimbursements to the Chamber for less portion of the Chamber's total utility cost.

DDA entered into an operating lease in September, 1995 for warehouse space located at 1213 Texas Street. Lease terms provide for monthly rentals of \$400 for thirty-six months. Rent expense under this lease for 1997 is \$4,800.

DDA entered an operating lease in May, 1997 for warehouse space located at 720 Edwards Street. Lease terms provide for monthly rentals of \$208 for 12 months. Rent expense under this lease for 1997 is \$2,500.

DDA entered into an operating lease in April, 1996 for a copier. Lease terms provide for monthly rentals of \$379 for 48 months. Rent expense under this lease for 1997 is \$6,468.

DDA entered into an operating lease in August, 1998 for a postage meter. Lease terms provide for monthly rentals of \$382 for 66 months. Rent expense under this lease for 1997 is \$7,858.

**DOSENTOWN DEVELOPMENT AUTHORITY
CITY OF MEMPHIS
NOTES TO FINANCIAL STATEMENTS**

Note 3 - Loan Commitment (Continued)

At December 31, 1997, minimum future loan payments under the noncancelable leases are as follows:

Year Ending December 31	Total Minimum Payments
1998	\$ 17,924
1999	13,324
2000	13,324
2001	8,872
2002	1,178

Note 4 - Urban Development Action Grant (UDAG)

In accordance with the terms of a UDAG Agreement dated January 8, 1981 and an amended Joint Development Agreement dated November 5, 1981, DDA was to have received annually, for 15 years, from Five Hundred Travis Partnership (FHTP), the greater of \$45,808 or 20 percent of the net cash flow from the Transcontinental Tower. The first payment was received in 1984. During 1991, FHTP filed for Voluntary Relief under Chapter 11 of the U. S. Bankruptcy Code. As a result of the bankruptcy proceedings, FHTP's position was transferred to Transcontinental Tower, LC in 1994 and all prior unpaid obligations were collected during 1994. For the year ended December 31, 1997, all payments due to DDA in accordance with the terms of the UDAG Agreement were collected.

Note 5 - Retirement Plan

DDA maintains a defined contribution pension plan covering all employees over age 20 1/2 with three or more months of qualified service. Bank One Louisiana, N.A. administers the plan. For 1997, total payroll for all employees was \$295,212 with \$218,243 covered under the plan. Required total employer and employee contributions to the plan, equal to 1 percent of covered payroll, amounted to \$7,147 for the employer and \$7,147 for the employees. Employees account balances are fully vested after five years of service. Employer contributions are reported as follows:

	Year Ended December 31 <u>1997</u>
Administrative Expenses	\$ 4,328
Programs/Project Expenditures (Strategic)	<u>2,817</u>
	<u>\$ 7,145</u>

DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Cash and Cash Equivalents

At December 31, 1997, bank deposits are as follows:

Interest-Bearing Demand Deposit Accounts	\$180,849
Money Market Accounts	224,270
	\$405,119

Cash deposits in banks are insured to the extent of FDIC limitations of \$100,000. All funds in excess of FDIC limitations are collateralized with securities pledged with the Federal Reserve Bank of Atlanta by Bank One, Louisiana, NA.

Note 2 - Property Taxes Receivable and 1996 Property Tax Adjustment

Property tax revenues for 1997, which will be collected by the authority in 1998, are estimated by management to be \$496,608. This amount is lower than the City of Shreveport estimate of \$511,893, which is based on 1997 assessed value of \$64,071,468 and a millage rate of 7.99. The City's estimate is subject to adjustment by the Louisiana Tax Commission and a possible adjustment depending on final property tax receipts. Property taxes are levied on December 1 and due by December 31 of each year. The City of Shreveport collects property taxes and remits to GDA periodically. GDA recognizes property tax revenues when they are levied by the City of Shreveport.

For the year ended December 31, 1996, property tax revenue was estimated by management to be \$467,190. Actual collections of 1996 property taxes were \$479,124. The excess of \$11,934 is recorded as an increase in current period income.

Actual and estimated property tax revenue for the current and prior years is as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Actual</u>	<u>Estimated</u>	<u>Difference</u>
1980	177,859	178,834	(974)
1981	289,861	211,868	77,993
1982	158,303	144,734	13,569
1983	232,397	243,889	(11,492)
1984	251,717	243,500	8,217
1985	325,513	380,808	(55,295)
1986	320,815	321,500	785
1987	293,365	293,800	(435)
1988	387,932	288,800	99,132
1989	272,671	273,800	(1,129)
1990	380,655	380,800	(145)
1991	381,381	370,800	10,581
1992	437,217	425,800	11,417
1993	438,494	485,800	(47,306)
1994	446,833	436,800	10,033
1995	472,673	465,258	7,415
1996	479,124	467,190	11,934
1997		496,608	

**DOWNTOWN DEVELOPMENT AUTHORITY
CITY OF SHREVEPORT
NOTES TO FINANCIAL STATEMENTS**

Note 8 - Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	Balance at January 1, 1997	Additions	Deductions	Balance at December 31, 1997
Office Equipment and Furniture	72,451	- 0 -	- 0 -	72,451
Streetcane Equipment	<u>- 0 -</u>	<u>48,244</u>	<u>-</u>	<u>48,244</u>
	<u>72,451</u>	<u>48,244</u>	<u>- 0 -</u>	<u>121,795</u>

Note 9 - Other Postemployment Benefits

DDA provides no postemployment benefits to its employees other than those required by law under The Consolidated Omnibus Budget Reconciliation Act of 1985.

Note 10 - Streetcane Maintenance

Streetcane Maintenance includes the following expenses:

Wages	113,789
Payroll Taxes	9,219
Retirement Expenses	2,827
Workman's Compensation and Other Insurance	11,218
Equipment Expense	48,244
Maintenance and Supplies Expense	<u>46,872</u>
	<u>232,169</u>

Note 11 - Budgetary Basis of Accounting

The 1997 budget was adopted on a basis substantially consistent with generally accepted accounting principles (GAAP) except that liabilities at December 31, 1996 were treated as budgeted expenditures. For 1997, the year the money was scheduled to be expended.

Adjustments necessary to convert the actual GAAP basis expenditures to actual budgetary basis expenditures for 1997 are as follows:

Actual GAAP Basis Expenditures (Exhibit B)	\$708,180
Add-Residuals at December 31, 1996	<u>18,142</u>
Actual Budgetary Basis Expenditures (Exhibit C)	<u>\$726,322</u>

COLE, EVANS & PETERSON

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March 3, 1998

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

Board of Directors
Downtown Development Authority
Shreveport, Louisiana

We have audited the financial statements of the Downtown Development Authority as of and for the year ended December 31, 1997, and have issued our report thereon dated March 3, 1998.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Downtown Development Authority is the responsibility of the Downtown Development Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Downtown Development Authority's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

This report is intended for the information of the Board of Directors and management of the Downtown Development Authority, the City of Shreveport and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.


Cole, Evans & Peterson

COLLINS, EVANS & PETERSON

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March 3, 1988

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL

**Board of Directors
Downtown Development Authority
Shreveport, Louisiana**

We have audited the financial statements of Downtown Development Authority as and for the year ended December 31, 1987, and have issued our report thereon dated March 3, 1988.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of Downtown Development Authority is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control, errors or fraud may nevertheless occur and not be detected. Also, projection of any evaluation of internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of controls may deteriorate.

In planning and performing our audit of the financial statements of Downtown Development Authority for the year ended December 31, 1987, we obtained an understanding of internal control. With respect to internal control, we obtained an understanding of the design of relevant controls and whether they had been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control. Accordingly, we do not express such an opinion.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in accounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Board of Directors and management of the Downtown Development Authority, the City of Shreveport, and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.


Cole, Evans & Peterson