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**Downtown Development Authority
Shreveport, Louisiana**

Financial Statements With Auditors' Report

As of and For the Year Ended December 31, 2003

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

Release Date 8/18/04

Downtown Development Authority
Shreveport, Louisiana

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Independent Auditors' Report

Downtown Development Authority
Shreveport, Louisiana

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Downtown Development Authority as of December 31, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and on page 25, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 25, 2004, on our consideration of the Downtown Development Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Cook & Morehart
Certified Public Accountants
February 25, 2004

DOWNTOWN DEVELOPMENT AUTHORITY
A COMPONENT UNIT OF THE CITY OF SHREVEPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2003

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, 2003. Please read this in conjunction with our financial statements which begin on page 7.

Financial Highlights

- The DDA's net assets increased significantly as a result of this year's operations. As shown in the Statement of Activities, net assets increased \$348,324 or approximately 21% over the prior year.
- The DDA's total revenues increased \$43,263 over the prior year.
- Total administrative and program expenditures for the year were \$41,922 greater than 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 Assets 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, tell how services were financed in the short term as well as what remains for future spending.

The Statement of Net Assets and the Statement of Activities

Our analysis of the DDA as a whole is shown at the Statement of Net Assets 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 off or worse off as a result of the year's activities?" The Statement of Net Assets 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 assets and changes in them. You can think of the DDA's net assets, 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 assets are one indicator of whether its financial health is improving or deteriorating. You 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 Assets and the Statement of Activities all of the DDA's functions and programs are reported as governmental activities. Property taxes and grants from 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 you 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 Assets 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 government-wide statements, fixed assets are recorded at cost in the Statement of Net Assets 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. Significant fixed asset additions for the year ended December 31, 2003 include the following:

Cost Applicable to Acquisition of Building at 708 Texas Street	\$ 79,993
Costs Applicable to Acquisition of Building at 315 Fannin Street	453,066
Costs Applicable Renovation of Building at 710 Texas Street	<u>545,935</u>
	<u>\$ 1,078,994</u>

As detailed in the following comparative summary of the Statement of Net Assets, total assets at the close of the year 2003 increased approximately 49 percent when compared to the prior year:

	December 31	
	2003	2002
Cash	\$ 142,981	\$ 362,795
Property Taxes Receivable	862,159	877,500
Capital Assets (Net of Accumulated Depreciation)	1,405,515	359,061
Other Assets	<u>189,636</u>	<u>150,200</u>
Total Assets	<u>2,600,291</u>	<u>1,749,556</u>
Liabilities:		
Notes Payable	470,300	
Other Liabilities	<u>84,844</u>	<u>52,733</u>
Total Liabilities	555,144	52,733
Net Assets:		
Invested in Capital Assets	935,215	359,061
Restricted	50,000	70,000
Unrestricted	<u>1,059,932</u>	<u>1,267,762</u>
Total Net Assets	<u>2,045,147</u>	<u>1,696,823</u>
Total Liabilities and Net Assets	<u>\$ 2,600,291</u>	<u>\$ 1,749,556</u>

As the DDA completed the year, its net assets totaled \$2,045,147, which is \$348,324 greater than last year's total of \$1,696,823. This increase is detailed in the following comparative summary of the Statement of Activities:

	Year Ended December 31		Increase
	2003	2002	(Decrease)
Revenues:			
Property Taxes	\$ 845,208	\$ 883,359	\$(38,151)
Charges for Services	666,415	617,388	49,027
Grants and Contributions	50,000	23,000	27,000
Investment Income	7,196	9,275	(2,079)
Expense Reimbursements	<u>49,286</u>	<u>41,820</u>	<u>7,466</u>
Total Revenue	1,618,105	1,574,842	43,263
Expenditures:			
Administrative	357,826	406,336	(48,510)
Programs/Projects:			
Parking Services	434,474	409,972	24,502
Streetscape Maintenance	252,724	242,644	10,080
Other Programs and Projects	<u>224,757</u>	<u>168,907</u>	<u>55,850</u>
Total Expenditures	<u>1,269,781</u>	<u>1,227,859</u>	<u>41,922</u>
Change of Net Assets	348,324	346,983	<u>\$ 1,341</u>
Net Assets at Beginning of Year	<u>1,696,823</u>	<u>1,349,840</u>	
Net Assets at End of Year	<u>\$ 2,045,147</u>	<u>\$ 1,696,823</u>	

As detailed in the above table, DDA's total revenues increased \$43,263 and total expenditures increased \$41,922. The increase in revenues was primarily attributable to a grant from the Community Foundation totaling \$50,000 and renegotiation of the parking management contract, discussed in detail in the following paragraphs.

Administrative expenditures decreased \$48,510 for the year. In general, office overhead remained consistent with prior year. This decrease is primarily attributable to the resignation of DDA's executive director during 2003. As of December 31, 2003, the executive director position has not been filled. In addition, significant nonrecurring legal fees were incurred during 2002 in connection with legislative issues applicable to the extension of DDA's taxing authorization period from 5 years to 25 years. The city wide vote in November 2002 approved the extension.

Expenditures for programs and projects increased \$90,432 for the year. Part of this change results from additional expenditures in the parking services and streetscape maintenance programs explained in detail in the following paragraphs. Also, 2003 includes expenditures for new programs and projects including \$10,000 for the façade improvement program, \$27,000 for a market study to determine the need for residential housing in the downtown area, \$19,000 for destination signage in the downtown area, and support of the Artspace project located at 710 Texas Street, including utility and insurance reimbursements totaling approximately \$18,000.

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

	Year Ended December 31	
	<u>2003</u>	<u>2002</u>
Contracts with City of Shreveport:		
Parking Services	\$ 425,008	\$ 391,404
Streetscape Maintenance Services	188,004	209,004
Other Streetscape Service Revenues	17,480	16,980
Lease Revenues	<u>35,923</u>	<u> </u>
	<u>\$ 666,415</u>	<u>\$ 617,388</u>

Parking Services

Effective January 1, 2000, DDA 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.

The contract has a term of four years and payments for DDA's services are negotiated on an annual basis. For 2003 and 2002, the City paid \$425,008 and \$391,404, respectively. The adjusted contract for 2003 includes a cost of living increase of approximately \$8,600 and reimbursement for a parking study totaling \$25,000. Any unexpended revenues are reimbursed to the City. For 2003 and 2002, expenditures exceed revenues and, accordingly, no reimbursement was required. Expenses applicable to the parking program increased \$24,502 during 2003. This difference is due primarily to the nonrecurring expenditure for the parking study mentioned above.

Streetscape Maintenance Services

Effective January 1, 2000, 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 five-year term and is adjusted annually based on the change in the consumer price index. Due to city budgetary constraints, contract revenue for 2003 was decreased by \$21,000. Expenses applicable to the streetscape maintenance program increased \$10,080, due primarily to an increase in equipment maintenance and employee benefit costs.

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. As detailed in the following *financial statement*, DDA reports revenues and expenses under the accrual basis of accounting. Property tax revenues are not known until December 1 of each year, when the taxes are levied by the City. Property tax revenues are estimated based on amounts received in the prior year and input from the City for budgeting purposes. As detailed in the budgetary comparison schedule included in the financial statements, budgeted property tax revenues exceeded actual revenues by \$35,618. This change in revenues was not included in budgeted revenues since these amounts are only considered available at the end of the year. In addition budgeted grants and contributions exceeded actual by \$127,000. This difference is attributable to the expected sale of tax credits available from building renovations. These credits are only available upon completion of renovations. Due to unforeseen circumstances, renovations were not completed by the end of the year.

Actual expenditures exceeded budgeted expenditures by \$929,349. The principal reason for this difference was the acquisition and renovation of a several buildings located in the downtown area for approximately \$1,079,000. These acquisitions and subsequent renovation costs are consistent with DDA's 2010 plan, previously approved by the Shreveport City Council, and were funded with bank financing totaling \$508,914, a Community Foundation grant totaling \$50,000 and use of prior years unrestricted net assets.

Next Year's Budget

The parking management contract has been renegotiated and 2004 operating revenue will be \$408,000 compared to \$425,000 for 2003. As noted above, 2003 included reimbursement for a parking study totaling \$25,000.

The streetscape contract has been renegotiated and 2004 operating revenue will be \$196,000, compared to \$188,000 for 2003.

Budgeted property tax revenues for 2004 are \$868,000.

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. If you have questions about this report or need additional financial information, contact the Downtown Development Authority at 401 Edward Street, Suite 205, Shreveport, Louisiana.

Downtown Development Authority
 Shreveport, Louisiana
 Statement of Net Assets
 December 31, 2003

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 142,981
Receivables	1,034,151
Prepaid expenses	17,644
Total current assets	<u>1,194,776</u>
Capital assets (net)	1,405,515
Total assets	<u>2,600,291</u>
LIABILITIES	
Current Liabilities	
Accounts payable	74,237
Accrued expenses	10,607
Current portion of long-term debt	120,258
Total current liabilities	<u>205,102</u>
Noncurrent liabilities:	
Noncurrent portion of long-term debt	<u>350,042</u>
Total liabilities	<u>555,144</u>
NET ASSETS	
Investment in capital assets	935,215
Restricted for Downtown Shreveport Development Corporation	50,000
Unrestricted	1,059,932
Total net assets	<u>\$ 2,045,147</u>

See accompanying notes to the basic financial statements.

Downtown Development Authority
 Shreveport, Louisiana
 Statement of Activities
 For the Year Ended December 31, 2003

	Program Revenues		
Expenses	Charges for Services	Operating Grants and Contributions	Net Revenue and Changes in Net Assets
<u>Functions and Programs:</u>			
Downtown Development	\$ 575,197	\$ 35,923	\$ 50,000
Streetscape Program	252,724	201,804	(489,274)
Parking Program	434,474	428,688	(50,920)
Interest on long-term debt	7,386		(5,786)
	\$ 1,269,781	\$ 666,415	\$ 50,000
Total Functions and Programs			(553,366)
<u>General Revenues:</u>			
Ad valorem Taxes			845,208
Interest and Investment Earnings			7,196
Expense Reimbursements			49,286
			901,690
Total General Revenues			901,690
Change in Net Assets			348,324
Net Assets at Beginning of Year			1,696,823
Net Assets at End of Year			\$ 2,045,147

See accompanying notes to the basic financial statements.

Downtown Development Authority
 Shreveport, Louisiana
 Balance Sheet
 Governmental Funds
 December 31, 2003

Assets

Cash and cash equivalents	\$ 142,981
Receivables	1,009,151
Prepaid expenses	17,644
Total assets	\$ 1,169,776

Liabilities

Accounts payable	\$ 74,237
Accrued expenses	10,607
Deferred revenue	12,826
Total liabilities	97,670

Fund balances

Unreserved	1,022,106
Reserved for Downtown Shreveport Development Corporation	50,000
Total fund balances	1,072,106

Total liabilities and fund balances	\$ 1,169,776
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Total fund balances - governmental funds	\$ 1,072,106
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Amounts reported for governmental activities in the statement of activities 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 \$184,147).	1,405,515
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Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	12,826
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Some receivables from voluntary nonexchange transactions do not meet the criteria for recognition under the modified accrual basis of accounting and are therefore not reported in the funds.	25,000
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(470,300)
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Net assets of governmental activities	\$ 2,045,147
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See accompanying notes to the basic financial statements.

Downtown Development Authority
 Shreveport, Louisiana
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2003

Revenues:	<u>General</u>
Ad valorem taxes	\$ 832,382
Expense reimbursements	49,286
Charges for services	641,415
Grants / contributions	50,000
Interest income	7,196
Total revenues	<u>1,580,279</u>
Expenditures:	
Current:	
General government:	
Downtown development	561,045
Streetscape maintenance	245,411
Parking services	422,782
Capital outlay	1,079,611
Debt Service:	
Principal payment	38,614
Interest and other charges	7,386
Total expenditures	<u>2,354,849</u>
Excess of revenues over expenditures	(774,570)
Other financing sources:	
Certificates of indebtedness issues	<u>508,914</u>
Excess of revenues and other financing sources over expenditures	(265,656)
Fund balances at beginning of year	<u>1,337,762</u>
Fund balances at end of year	<u><u>\$ 1,072,106</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 Balances
 of Governmental Funds to the Statement of Activities
 For the Year Ended December 31, 2003

Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Activities:

Net change in fund balances - total governmental funds	\$	(265,656)
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 capital outlays (\$1,079,611) exceeded depreciation (\$32,748) in the current period.		1,046,863
A loss on disposal of capital assets is recorded in the statement of activities, but is not recognized in the fund statements.		(409)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments.		(470,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		37,826
		37,826
Change in net assets of governmental activities	\$	348,324

See accompanying notes to the basic financial statements.

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2003

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 governmental accounting and financial reporting principles. The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. 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 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, 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, 2003
(Continued)

In the government-wide Statement of Net Assets, 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 assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. 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 and rental payments from an operating lease. 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 funds** – Currently the DDA has only one fund, the general fund, which is used to account for all financial resources and expenditures.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

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.

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 and cash equivalents include amounts in demand deposits, interest bearing demand deposits, and time deposits.

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.

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.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

G. Capital Assets

Capital assets purchased or acquired are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market 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 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.

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 certificates of indebtedness.

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 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

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

K. Net Assets / Fund Equity

Restricted net assets and reserved fund balances represent those portions of net assets or fund balances not appropriate for expenditure or legally segregated for a specific future use.

(Continued)

Downtown Development Authority
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

(2) Budgets

DDA's budgetary calendar is January 1 through December 31 of each year. The 2003 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 2003 budget was amended once during the year. Unexpended budget balances lapse at the end of the year.

The 2003 budget was adopted on a basis consistent with U.S. general accepted accounting principles (GAAP). The general fund had actual expenditures over budgeted appropriations for the year ended December 31, 2003, of \$929,349.

(3) Ad Valorem Taxes and Deferred Revenue

Ad valorem tax revenues for 2003, which will be collected by the DDA in the year 2004, are estimated by management to be \$862,159. This amount is lower than the City of Shreveport's estimate of \$882,094, which is based on the 2003 assessed value of \$121,975,860 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 ad valorem tax receipts. Ad valorem taxes are levied on December 1 and due by December 31 of each year. The City of Shreveport collects the ad valorem taxes and remits to DDA periodically. DDA recognizes ad valorem tax revenues when they are levied by the City of Shreveport for the government-wide financial statements, in accordance with the accrual basis of accounting. For the fund financial statements, ad valorem tax revenues are recognized under the modified accrual basis of accounting, when they are both measurable and available. Amounts not collected within the availability period of 60 days are reported as deferred revenues as of December 31, 2003.

(4) Cash and Cash Equivalents

At December 31, 2003, the DDA has cash and cash equivalents (book balances) totaling \$142,981 as follows:

Petty cash	\$	50
Demand deposits		<u>142,931</u>
		<u>\$ 142,981</u>

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 or exceed the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

(Continued)

Downtown Development Authority
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

At December 31, 2003, the DDA has \$196,524 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$96,524 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 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.

(5) **Accounts Receivable**

The following is a summary of receivables at December 31, 2003:

<u>Class of Receivable</u>	<u>Amount</u>
Property taxes	\$ 862,159
City of Shreveport	49,001
Related party receivables – DSDC and DSU	47,530
Grant receivable	25,000
Construction reimbursement – SRAC	13,286
Other	<u>37,175</u>
Total	<u>\$ 1,034,151</u>

Included in other receivables is a \$25,000 reimbursement for a parking study. This amount is not expected to be collected within 60 days and is therefore not reflected in the fund financial statements.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

(6) Capital Assets

Capital asset activity for the year ended December 31, 2003, was as follows:

	<u>Balance at Jan. 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at Dec. 31, 2003</u>
<u>Governmental Activities:</u>				
Capital assets, not being depreciated:				
Land	\$ -	\$ 299,000	\$ -	\$ 299,000
Renovation project (construction in process)	191,931	545,936	50,000	687,867
City park project (construction in process)	<u>8,389</u>	<u>-</u>	<u>8,389</u>	<u>-</u>
Total capital assets, not being depreciated	<u>200,320</u>	<u>844,936</u>	<u>58,389</u>	<u>986,867</u>
Capital assets, being depreciated:				
Leasehold improvements	52,369		-	52,369
Buildings		292,448		292,448
Office equipment and furniture	92,771	616	1,515	91,872
Streetscape equipment	92,855	-	8,591	84,264
Parking program equipment	<u>81,842</u>	<u>-</u>	<u>-</u>	<u>81,842</u>
Total capital assets, being depreciated, at historical cost	<u>319,837</u>	<u>293,064</u>	<u>10,106</u>	<u>602,795</u>
Less accumulated depreciation:				
Leasehold improvements	(7,128)	(1,746)	-	(8,874)
Buildings	-	(5,410)	-	(5,410)
Office equipment and furniture	(67,953)	(6,996)	(1,515)	(73,434)
Streetscape equipment	(54,025)	(6,904)	(8,182)	(52,747)
Parking program equipment	<u>(31,990)</u>	<u>(11,692)</u>	<u>-</u>	<u>(43,682)</u>
Total accumulated depreciation	<u>(161,096)</u>	<u>(32,748)</u>	<u>(9,697)</u>	<u>(184,147)</u>

(Continued)

Downtown Development Authority
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

Total other capital assets, being depreciated, net	<u>158,741</u>	<u>260,316</u>	<u>409</u>	<u>418,648</u>
Governmental activities capital assets, net	<u>\$ 359,061</u>	<u>\$ 1,105,252</u>	<u>\$ 58,798</u>	<u>\$ 1,405,515</u>

Depreciation expense for the year ended December 31, 2003, was charged to the various functions of DDA as follows:

Downtown Development	\$ 14,152
Streetscape Program	6,904
Parking Program	<u>11,692</u>
	<u>\$ 32,748</u>

(7) Long-term Debt

At December 31, 2003, long-term debt consisted of the following:

Series 2003 Certificate of Indebtedness, dated April 29, 2003, payable in equal monthly installments commencing October 29, 2003 through and including October 29, 2005, together with interest, variable rate equal to 30 day LIBOR plus .25% on the 29 th day of each month. Interest rate at December 31, 2003 was 1.42%	\$ 182,800
Series 2003 Certificate of Indebtedness, dated January 22, 2003, payable in consecutive monthly fixed principal payments, beginning March 1, 2003, based on a 20 year amortization, together with interest at a variable rate equal to 30 day LIBOR plus 1.16% each month. Interest rate at December 31, 2003 was 2.28%	<u>287,500</u>
	<u>\$ 470,300</u>

(Continued)

Downtown Development Authority
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

Changes in long-term debt for the year ended December 31, 2003 are summarized as follows:

	<u>Balance</u> <u>12/31/02</u>	<u>Issues–</u> <u>Additions</u>	<u>Payments</u> <u>Expenditures</u>	<u>Balance</u> <u>12/31/03</u>	<u>Amount Due</u> <u>Within One Year</u>
Certificates of Indebtedness	\$ -	\$ 508,914	\$ 38,614	\$ 470,300	\$ 120,258

Certificates of Indebtedness

The certificates are secured by and payable as to principal and interest solely from a pledge and dedication of the excess of annual revenues of the issuer above statutory, necessary and usual charges in each year during which the certificates are outstanding. Both certificates of indebtedness issues are collateralized by a mortgage on certain real estate owned by the DDA. The issues were made to acquire, renovate and equip certain real estate.

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

Certificates of Indebtedness

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 120,258	\$ 8,311	\$ 128,569
2005	92,542	6,497	99,039
2006	15,000	5,714	20,714
2007	15,000	5,372	20,372
2008	15,000	5,030	20,030
2009–2013	75,000	20,021	95,021
2014–2018	75,000	11,471	86,471
2019–2023	<u>62,500</u>	<u>3,028</u>	<u>65,528</u>
	<u>\$ 470,300</u>	<u>\$ 65,444</u>	<u>\$ 535,744</u>

(Continued)

Downtown Development Authority
 Shreveport, Louisiana
 Notes to Financial Statements
 December 31, 2003
 (Continued)

(8) 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.

(9) Leases

The DDA leases certain property, office space and equipment under operating leases. Rental costs on the leases for the year ended December 31, 2003, was \$86,297.

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

For the Year Ending December 31,		
2004	\$	17,285
2005		14,745
2006		15,310
2007		6,806
Total minimum future rentals	\$	54,146

(10) Retirement Plan

DDA maintains a defined contribution pension plan covering all employees over age 20 with three or more months of qualified service. Nationwide Retirement Solutions administers the plan. Required contributions to the plan, equal to 3% of covered payroll, amounted to \$17,485 for the year ended December 31, 2003. Employee account balances are fully vested after five years of service. Employer contributions are reported as follows for the year ended December 31, 2003:

Administrative	\$	6,167
Street		3,579
Parking		7,739
Total	\$	17,485

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

(11) 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's contract with the City of Shreveport to manage and maintain the downtown streetscape areas is a five year contract beginning January 1, 2000. The contract provides for annual increases by an amount equal to the annual percentage increase in the consumer price index. Payments under this contract for 2003 total \$188,004, of which \$15,667 was a receivable at December 31, 2003.

(2) Parking system management

DDA's contract with City of Shreveport to manage the downtown parking system was a four year contract beginning January 1, 2000. A new contract was entered into for a two year term beginning January 1, 2004, which may be extended for an additional four years by mutual agreement of both parties. Payments under this contract for 2003 total \$400,008, of which \$33,334 was a receivable at December 31, 2003.

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 August 8, 2001, with an initial term of two years which shall continue on a month-to-month basis unless terminated by the parties. 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 2003 was \$25,000.

DSDC will pay DDA to operate and manage a downtown parking lot owned by DSDC. Amounts earned by DDA by DSDC for this service for 2003 was \$2,400.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

DSDC will pay DDA for streetscape services for a downtown parking lot leased by DSDC. Amounts earned by DDA for this service for 2003 was \$1,800.

DDA agreed to provide funds to DSDC for the Façade Grant Program. Amounts paid by DDA to DSDC during 2003 for this program was \$10,000.

DDA has reserved \$50,000 for use by DSDC in making loans to qualifying downtown businesses for the revitalization of downtown Shreveport. DDA has agreed to transfer all or part of these funds to DSDC as additional loans are made.

DSDC granted \$50,000 to DDA towards the renovation costs associated with a building in the downtown area.

The City of Shreveport has entered into a leasing arrangement with DSDC for 70 parking spaces in a downtown parking lot owned by DSDC. DDA has agreed to pay the monthly lease amount of \$4,667 on behalf of the City of Shreveport, in conjunction with the parking system management contract with the City of Shreveport. The amount paid by DDA to DSDC during 2003 under this arrangement was \$56,000.

Downtown Shreveport Unlimited Activity

Downtown Shreveport Unlimited (DSU), a non-profit organization, utilizes the professional staff of DDA under a contract that is on a month to month basis. The following provides information in regards to the contract.

DSU will pay DDA for administrative services. Amounts paid by DSU to DDA for administrative services for 2003 was \$11,000.

DDA serves as paymaster for an employee hired exclusively for DSU. DSU reimburses DDA for the personnel costs for the employee.

(12) **Committments**

DDA has committed \$30,000 to the City of Shreveport, to be paid in 2004, for the purpose of defraying costs associated with relocating City Hall to the downtown area.

(Continued)

Downtown Development Authority
Shreveport, Louisiana
Notes to Financial Statements
December 31, 2003
(Continued)

DDA made and entered into a cooperative endeavor agreement December 8, 2003 between DDA, Downtown Shreveport Development Corporation (DSDC) (a non-profit organization), and the Red River Film Society, Inc. (RRFS) (a non-profit organization). The agreement calls for the Board of RRFS to secure the necessary funding for development and operation of the Red River Art Film Theater subject to and in conjunction with participation of DDA and DSDC. DDA wishes to assist RRFS in the development of the Theater within the Downtown Development District. DSDC owns the building and agrees to lease the building for the Theater for a term of 99 years, to RRFS, without rental, contingent upon RRFS procurement of a certain amount of private contributions. Under this agreement DDA agrees to the following:

- 1) Endorse the development of the Cinema
- 2) Contribute up to a maximum of \$650,000 to RRFS, with the contributions to be based on a match of \$1.00 from DDA to RRFS for each \$1.23 cash obtained by RRFS from other contributions or loans secured by pledges, continuing until such time as DDA has paid \$650,00 to RRFS and RRFS has procured \$800,000 cash through other contributions or loans secured by pledges to be used for development and operation of the Cinema.
- 3) Provide funding up to \$30,000 to be utilized by RRFS for architectural/engineering services to develop construction plans and specifications for the Cinema.

There were no payments made by DDA under this agreement during 2003.

Downtown Development Authority
Shreveport, Louisiana
Budgetary Comparison Schedule
Governmental Funds - General Fund
For the Year Ended December 31, 2003

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	
	Original	Final		
Revenues:				
Property taxes	\$ 868,000	\$ 868,000	\$ 832,382	\$ (35,618)
Expense reimbursements	36,000	36,000	49,286	13,286
Charges for services	687,600	687,600	641,415	(46,185)
Grants / contributions	177,000	177,000	50,000	(127,000)
Interest income	5,000	5,000	7,196	2,196
Total revenues	1,773,600	1,773,600	1,580,279	(193,321)
Expenditures:				
Current:				
General government:				
Downtown development	747,000	747,000	561,045	185,955
Streetscape maintenance	238,500	238,500	245,411	(6,911)
Parking services	440,000	440,000	422,782	17,218
Capital outlay			1,079,611	(1,079,611)
Debt Service:				
Principal payment			38,614	(38,614)
Interest and other charges			7,386	(7,386)
Total expenditures	1,425,500	1,425,500	2,354,849	(929,349)
Excess of revenues over (under) expenditures	348,100	348,100	(774,570)	(1,122,670)
Other financing sources:				
Certificates of indebtedness			508,914	508,914
Excess of revenues and other financing sources over (under) expenditures	348,100	348,100	(265,656)	(613,756)
Fund balances at beginning of year	362,500	362,500	1,337,762	975,262
Fund balances at end of year	\$ 710,600	\$ 710,600	\$ 1,072,106	\$ 361,506

The accompanying notes are an integral part of this statement.

COOK & MOREHART

Certified Public Accountants

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

Downtown Development Authority
Shreveport, Louisiana

We have audited the basic financial statements of the Downtown Development Authority as of and for the year ended December 31, 2003, and have issued our report thereon dated February 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Downtown Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards* and described in the accompanying schedule of findings and questioned costs as Finding #2003-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Downtown Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Downtown Development Authority in a separate management letter dated February 25, 2004.

This report is intended solely for the information and use of management and the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Cook & Morehart
Certified Public Accountants
February 25, 2004

Downtown Development Authority
Shreveport, Louisiana
Schedule For Louisiana Legislative Auditor
December 31, 2003

Summary Schedule of Prior Audit Findings

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

Corrective Action Plan for Current Year Audit Findings

There was one current year finding for the year ended December 31, 2003:

2003-01: Budgetary Control – Local Government Budget Act

During the year ended December 31, 2003, the DDA did not amend the 2003 budget which caused the revenue and other sources and actual expenditures and other uses to exceed the budgeted amounts by more than 5% for the general fund.

Recommendation: We recommend that the DDA monitor its budget and amend the budget in order to be in compliance with state law.

Response: As discussed in detail in the Management's Discussion and Analysis, certain facts regarding budgeted items were not known until the end of the year. In the future DDA will respond if necessary to any changes budgeted amounts.

The corrective action plan for the management letter comments for the year ended December 31, 2003 are addressed below:

Comment #1: Separation of Duties

These changes will be implemented immediately.

Comment #2: Credit Card Receipts

Although these were isolated instances, in the future adequate support will be required for all credit card transactions.

Comment #3: Signature Requirements Checking Account

Although these were isolated instances, DDA will continue its current policy of requiring dual signatures for checks over \$5,000.

COOK & MOREHART

Certified Public Accountants

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Management Letter

February 25, 2004

The Board of Directors of the
Downtown Development Authority
Shreveport, Louisiana

We have audited the financial statements of the Downtown Development Authority, (DDA) for the year ended December 31, 2003, and have issued our report thereon dated February 25, 2004. In planning and performing our audit of the financial statements of the Downtown Development Authority, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

During our audit the following items were noted involving internal control over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control or operations of DDA. These comments have been discussed with the appropriate members of management.

Comment #1: SEPARATION OF DUTIES

DDA has one accountant performing most general accounting functions. In order to separate some of the accounting functions to strengthen internal controls we recommend the following:

- 1) After obtaining the appropriate signatures, checks should be mailed by an employee other than the accountant.
- 2) Bank statements, received in the mail, should go directly to the Executive Director or Deputy Director for review before being delivered to the accountant for reconciliation.
- 3) Bank reconciliations should be reviewed – approved by responsible official employee after preparation by the accountant.

Comment #2: CREDIT CARD RECEIPTS

During our audit, we noted that payments were made on credit cards without matching all of the receipts to the amounts listed on the credit card statements.

We recommend that upon receipt of credit card statements, that charges on the statement be matched to actual receipts before payment is made on the accounts. Also, certain travel and/or meal receipts should state the purpose of the expenditure.

Comment #3: SIGNATURE REQUIREMENTS CHECKING ACCOUNT

DDA's policy for signing checks is to require two signatures for checks greater than \$5,000. During our audit we noted that several checks in excess of \$5,000 had only one signature.

We recommend the signature requirement established by DDA be followed.

We express sincere thanks to DDA personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation with the above mentioned items. This letter is furnished solely for the use of management, Board of Directors and various funding sources.



Cook & Morehart
Certified Public Accountants
February 25, 2004