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**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**

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 _____

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 1999**

**Bruno
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Audit Committee of
The Downtown Development District
of the City of New Orleans

We have audited the accompanying general purpose financial statements of **the Downtown Development District of the City of New Orleans (the District)**, as of and for the year ended December 31, 1999, as listed in the Table of Contents. These financial statements are the responsibility of **the District'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 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 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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of **the District**, as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Audit Committee of
The Downtown Development District
of the City of New Orleans
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2000 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 31, 2000

THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
COMBINED BALANCE SHEET--GOVERNMENTAL
FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1999

| | <u>GOVERNMENTAL FUND TYPES</u> | | <u>ACCOUNT GROUPS</u> | | | Total (Memorandum Only) |
|---|--------------------------------|-----------------------------|-------------------------------------|---------------------------------------|--------------|-------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>General Fixed Assets</u> | <u>General Long-term Debt</u> | <u>Total</u> | |
| ASSETS AND OTHER DEBITS | | | | | | |
| Cash: | | | | | | |
| Cash and temporary cash investments | \$ 978,403 | \$-0- | \$ -0- | \$ -0- | \$ -0- | \$ 978,403 |
| Held by the Board of Liquidation, City Debt (NOTE 2) | 2,423 | -0- | -0- | -0- | -0- | 2,423 |
| Held by the City of New Orleans (NOTES 4 and 8) | 730,085 | -0- | -0- | -0- | -0- | 730,085 |
| Investments held by the Board of Liquidation, City Debt-at cost (NOTE 2) | 3,331,208 | -0- | -0- | -0- | -0- | 3,331,208 |
| Receivables: | | | | | | |
| Ad valorem taxes (net of allowance for uncollectible taxes of \$212,997) (NOTES 4, 5 and 8) | 932,604 | -0- | -0- | -0- | -0- | 932,604 |
| Accrued interest (NOTE 2) | 39,033 | -0- | -0- | -0- | -0- | 39,033 |
| Prepaid expenses and other assets | 33,548 | -0- | -0- | -0- | -0- | 33,548 |
| Amount to be provided for retirement of general long-term debt and capital lease obligations (NOTES 6, 11 and 17) | -0- | -0- | -0- | 52,002 | -0- | 52,002 |
| Fixed assets (NOTE 6) | -0- | -0- | 758,503 | -0- | -0- | 758,503 |
| Total assets and other debits | <u>\$6,047,304</u> | <u>\$-0-</u> | <u>\$758,503</u> | <u>\$52,002</u> | <u>\$-0-</u> | <u>\$6,857,809</u> |

The accompanying notes are an integral part of these financial statements.

THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
COMBINED BALANCE SHEET--GOVERNMENTAL
FUND TYPES AND ACCOUNT GROUPS, CONTINUED
DECEMBER 31, 1999

| | <u>GOVERNMENTAL</u> | | <u>ACCOUNT GROUPS</u> | | | Total (Memorandum Only) |
|--|---------------------|-----------------------------|-------------------------------------|---------------------------------------|--------------------|-------------------------------|
| | <u>FUND TYPES</u> | <u>Capital Projects</u> | <u>General Fixed Assets</u> | <u>General Long-term Debt</u> | | |
| | <u>General</u> | | | | | |
| <u>LIABILITIES AND FUND EQUITY AND OTHER CREDIT</u> | | | | | | |
| <u>LIABILITIES</u> | | | | | | |
| Accounts and other payables | \$ 421,468 | \$-0- | \$ -0- | \$ -0- | \$ 421,468 | |
| Due to the City of New Orleans, net (NOTE 7) | 1,273,254 | -0- | -0- | -0- | 1,273,254 | |
| Deferred revenues (NOTES 4 and 8) | 1,064,395 | -0- | -0- | -0- | 1,064,395 | |
| Compensated absences payable (NOTE 17) | -0- | -0- | -0- | 22,326 | 22,326 | |
| Capital leases payable (NOTES 6, 11 and 17) | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>29,676</u> | <u>29,676</u> | |
| Total liabilities | <u>2,759,117</u> | <u>-0-</u> | <u>-0-</u> | <u>52,002</u> | <u>2,811,119</u> | |
| <u>FUND EQUITY AND OTHER CREDIT</u> | | | | | | |
| Investment in general fixed assets (NOTE 6) | <u>-0-</u> | <u>-0-</u> | <u>758,503</u> | <u>-0-</u> | <u>758,503</u> | |
| Fund balances: | | | | | | |
| Reserved for capital and maintenance projects (NOTE 11) | 1,625,000 | -0- | -0- | -0- | 1,625,000 | |
| Designated for subsequent year's expenditures (NOTE 9) | 1,634,007 | -0- | -0- | -0- | 1,634,007 | |
| Undesignated | <u>29,180</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>29,180</u> | |
| Total fund balances | <u>3,288,187</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>3,288,187</u> | |
| Total fund equity and other credit | <u>3,288,187</u> | <u>-0-</u> | <u>758,503</u> | <u>-0-</u> | <u>4,046,690</u> | |
| Total liabilities, fund equity and other credit | <u>\$6,047,304</u> | <u>\$-0-</u> | <u>\$758,503</u> | <u>\$52,002</u> | <u>\$6,857,809</u> | |

The accompanying notes are an integral part of these financial statements.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 1999**

| | <u>GOVERNMENTAL FUND TYPES</u> | | Total (Memorandum Only) |
|---|------------------------------------|-----------------------------|-------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | |
| Revenues: | | | |
| Ad valorem taxes (NOTE 5) | \$3,895,701 | \$ -0- | \$3,895,701 |
| New Orleans Area Tourism and Economic Development Fund | 187,908 | -0- | 187,908 |
| Interest on delinquent taxes | 1,645 | -0- | 1,645 |
| Interest on investments | 292,074 | -0- | 292,074 |
| Interest on cash and temporary cash investments | <u>18,700</u> | <u>-0-</u> | <u>18,700</u> |
| Total revenues | <u>4,396,028</u> | <u>-0-</u> | <u>4,396,028</u> |
| Expenditures: | | | |
| Administration | 958,559 | -0- | 958,559 |
| Marketing and promotions | 618,758 | -0- | 618,758 |
| Operations | 1,525,463 | -0- | 1,525,463 |
| Public safety | 1,119,892 | -0- | 1,119,892 |
| Special projects | <u>433,910</u> | <u>371,366</u> | <u>805,276</u> |
| Total expenditures | <u>4,656,582</u> | <u>371,366</u> | <u>5,027,948</u> |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (260,554) | (371,366) | (631,920) |
| Other financing sources (uses): | | | |
| Operating transfers in (out) | (536,739) | -0- | (536,739) |
| Transfers from City of New Orleans | <u>-0-</u> | <u>371,366</u> | <u>371,366</u> |
| Excess (deficiency) of revenues over expenditures | (797,293) | -0- | (797,293) |
| Fund balance: | | | |
| Beginning of year | <u>4,085,480</u> | <u>-0-</u> | <u>4,085,480</u> |
| End of year | <u>\$3,288,187</u> | <u>\$ -0-</u> | <u>\$3,288,187</u> |

The accompanying notes are an integral part of these financial statements.

THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
COMBINED STATEMENT OF REVENUES AND EXPENDITURES
AND CHANGES IN FUND BALANCE—BUDGET
AND ACTUAL—GENERAL AND CAPITAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1999

| | GENERAL FUND | | | CAPITAL PROJECTS | | | (TOTAL MEMORANDUM ONLY) | | |
|--|------------------|---------------------|----------------------------------|------------------|------------------|----------------------------------|-------------------------|------------------|----------------------------------|
| | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) | Budget | Actual | Variance Favorable (Unfavorable) |
| Revenues: | | | | | | | | | |
| Ad valorem taxes | \$3,721,046 | \$3,895,701 | \$ 174,655 | \$ -0- | \$ -0- | \$ -0- | \$3,721,046 | \$3,895,701 | \$ 174,655 |
| Interest on delinquent taxes | 2,551 | 1,645 | (906) | -0- | -0- | -0- | 2,551 | 1,645 | (906) |
| Interest on investments | 220,258 | 292,074 | 71,816 | -0- | -0- | -0- | 220,258 | 292,074 | 71,816 |
| Interest on cash and temporary cash investments | 12,783 | 18,700 | 5,917 | -0- | -0- | -0- | 12,783 | 18,700 | 5,917 |
| New Orleans Tourism Economic Development Fund | 400,000 | 187,908 | (212,092) | -0- | -0- | -0- | 400,000 | 187,908 | (212,092) |
| Other | 100,735 | -0- | (100,735) | -0- | -0- | -0- | 100,735 | -0- | (100,735) |
| Total revenues | 4,457,373 | 4,396,028 | (61,345) | -0- | -0- | -0- | 4,457,373 | 4,396,028 | (61,345) |
| Expenditures: | | | | | | | | | |
| Administration | 1,049,872 | 958,559 | 91,313 | -0- | -0- | -0- | 1,049,872 | 958,559 | 91,313 |
| Marketing and promotions | 516,362 | 618,758 | (102,396) | -0- | -0- | -0- | 516,362 | 618,758 | (102,396) |
| Operations | 1,653,258 | 1,525,463 | 127,795 | -0- | -0- | -0- | 1,653,258 | 1,525,463 | 127,795 |
| Public safety | 1,404,328 | 1,119,892 | 284,436 | -0- | -0- | -0- | 1,404,328 | 1,119,892 | 284,436 |
| Special projects | 605,462 | 433,910 | 171,552 | 319,204 | 371,366 | (52,162) | 924,666 | 805,276 | 119,390 |
| Total expenditures | 5,229,282 | 4,656,582 | 572,700 | 319,204 | 371,366 | (52,162) | 5,548,486 | 5,027,948 | 520,538 |
| Excess (deficiency) of revenues over expenditures before other financing sources (uses) | (771,909) | (260,554) | 511,355 | (319,204) | (371,366) | (52,162) | (1,091,113) | (631,920) | 459,193 |
| Other financing sources (uses): | | | | | | | | | |
| Operating transfers in (out) | 771,909 | (536,739) | (1,308,648) | -0- | -0- | -0- | 771,909 | (536,739) | (1,308,648) |
| Transfers from City of New Orleans | -0- | -0- | -0- | 319,204 | 371,366 | 52,162 | 319,204 | 371,366 | 52,162 |
| Excess (deficiency) revenue over expenditures | \$ -0- | (797,293) | \$ (797,293) | \$ -0- | \$ -0- | \$ -0- | \$ -0- | (797,293) | \$ (797,293) |
| Fund balance: | | | | | | | | | |
| Beginning of year | | 4,085,480 | | | -0- | | | | 4,085,480 |
| End of year | | <u>\$ 3,288,187</u> | | | <u>\$ -0-</u> | | | <u>\$ -0-</u> | <u>\$ 3,288,187</u> |

The accompanying notes are an integral part of these financial statements.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1 - Summary of Significant Accounting Policies:

Background

Act 498 of 1974 as amended and reenacted by Act 124 of 1977 of the State of Louisiana Legislature effective January 1, 1975, created a special taxing district designated "the Core Area Development District of the City of New Orleans", comprised of all the territory within the following prescribed boundaries:

The point of beginning shall be at the intersection of the east bank of the Mississippi River and the Mississippi River Bridge approaches and Pontchartrain Expressway; thence continuing along the upper line of the Pontchartrain Express right-of-way less and except ramp areas, and in a northwesterly direction to the lake side right-of-way line of Claiborne Avenue; thence northeasterly along the lake side of said right-of-way of Claiborne Avenue to the lower right-of-way of Iberville Street; thence along the said lower right-of-way line of Iberville Street to the east bank of said to the upper right-of-way line of the Mississippi River Bridge approaches and Pontchartrain Expressway, being the point of beginning.

Act 307 of the State of Louisiana Legislature effective July 10, 1978, changed the name of the District to **The Downtown Development District of the City of New Orleans.**

Act 498 and 124 also created a Board of Commissioners for **The Downtown Development District of the City of New Orleans (the District)** composed of nine members for governance of **the District.**

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

The Financial Reporting Entity

Governmental Accounting Standards Board Statement No. 14, The Financial Reporting Entity, (GASB 14) established standards for defining and reporting on the financial entity. GASB 14 indicates the focal point for identifying the *financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special purpose government that meets all of the following criteria: a) has a separately elected governing body, b) is legally separate, and c) is fiscally independent of other state and local governments.*

As previously discussed, state statute established **the District** as a separate, legal entity with a governing body which is separate and independent of any other governmental "reporting entity", as defined by GASB 14. However, **the District** is dependent primarily on real estate tax assessments to conduct its business.

For financial reporting purposes, **the District** is a component unit of the City of New Orleans. As such, the financial statements of **the District** are included in the financial statements of the City of New Orleans. All activities of **the District** are included in this report.

The accounting policies of **the District** conform to generally accepted accounting principles as applicable to governments and special districts. The following is a summary of the more significant policies:

Fund Accounting

The District uses funds and account groups to report on its financial position and results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain **District** functions or activities.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Fund Accounting, Continued

The fund is a separate accounting entity with a self-balancing set of accounts that include assets, liabilities, fund equity, revenues and expenditures, as appropriate. An account group, on the other hand, 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 funds of **the District** are classified as follows:

Governmental Funds

Governmental funds are those through which most of **the District's** functions are financed. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the governmental funds of **the District**:

General Fund

The General fund is the general operating fund of **the District**. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Capital Projects Fund

The capital projects fund is used to record financial resources for the acquisition improvement or construction of general fixed assets of **the District**. Those projects are to be financed through general obligation bonds (none currently), or real estate taxes.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Account Groups

Account groups are used to establish accounting control and accountability for **the District's** general fixed assets and outstanding obligations, respectively. They are self-balancing group of accounts that are concerned only with the measurement of financial position, not with the measurement of results of operations. The following are **the District's** account groups:

General Fixed Assets Account Group

The general fixed assets account group is established to account for fixed assets of **the District**. The fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized or reported in the general fixed assets account group.

General Long-Term Debt Account Group

The general long-term debt account group is used to record liability of **the District**, when due, or when resources have been accumulated for payment.

Basis of Accounting

The accounting and financial report treatment applied to a fund by **the District** is determined by its measurement focus. As such all governmental funds are accounted for using a current financial resources measurement focus.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

The records are maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, that is, both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred, if measurable.

Those revenues susceptible to accrual such as property taxes, are recorded as revenue in the year for which they are levied except for taxes paid under protest. These taxes are recorded as deferred revenues until they become available. See NOTES 4 and 8.

Interest on delinquent taxes and earned on checking accounts is recorded as revenue when received in cash by the Board of Liquidation, City Debt (the Board) or **the District** because it is generally not measurable in relation to delinquent taxes or available in relation to checking accounts. Interest on investments is recorded as revenue when earned. The Board is a component unit of the City of New Orleans. The Board has exclusive control and direction of all matters relating to bonded debt of the City of New Orleans.

Miscellaneous contributions for projects are recognized as revenues in the period received by **the District** or the City of New Orleans on behalf of **the District**. When the contribution is provided as a direct funding of a project, such amounts are used to reduce **the District's** cost.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Legal Compliance - Budgets

The District follows the procedures prescribed by Act 478 as amended by the State of Louisiana Legislature effective January 1, 1997. Relevant portions of those procedures are:

- The Board of Commissioners of **the District** shall prepare, or cause to be prepared, a plan or plans specifying the public improvements, facilities and services proposed to be furnished, constructed or acquired for **the District**.
- Any plan shall include (a) an estimate of the annual and aggregate cost of acquiring, construction or providing the services, improvements or facilities set forth therein; (b) the proportion of tax to be levied on the taxable real property within **the District** which is to be set aside and dedicated to paying the cost of furnishing specified services, and the proportion of such tax to be set aside and dedicated to paying the cost of capital improvements or paying the cost of debt service on any bonds to be issued to pay the cost of capital improvements (none currently); and (c) an estimate of the aggregate number of mills required to be levied in each year on the taxable real property within **the District** to provide the funds required for implementation of the plan.
- After completion, the plan shall be submitted to the Planning Commission of the City of New Orleans for review. The Planning Commission must submit the plan to the City Council within thirty (30) days of receipt thereof, together with its written comments and recommendations.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

- The City Council may by a majority of its members accept or reject the plan based upon its consistency with the City's overall plan. If accepted the plan may be implemented.
- Upon acceptance, the plan budget and the appropriation of funds for its implementation are incorporated by the City of New Orleans into its normal budget process. Under this process, appropriations for **the District's** "Service" operations (operating budget) expire at year end, except for amounts the City has encumbered on behalf of **the District**. Such amounts are carried forward until they are cleared. Appropriations for capital outlays (capital budget) continue in force until the project is completed or cancelled normally.
- **The District**, through ordinances approved by the City Council, can amend the budget at its discretion.

Investments

The Board receives funds from the City of New Orleans for the account of **the District**. These funds are invested by the Board for **the District**. Such investments consists of United States treasury bills and certificates of deposit and are usually for periods of ninety (90) days to one year. Such investments are valued at cost which approximates market and interest earned thereon is recorded when earned.

Discounts and/or premiums on investment purchases are amortized over the life of the investment.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Bad Debts

An allowance for uncollectible taxes has been established for ad valorem taxes receivable.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets associated with a fund are determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of "available spendable resources". Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Fixed assets used in governmental fund type operation (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. Furniture, equipment, and a motor vehicle used in administration and certain public works and promotional equipment are recorded in the General Fixed Assets Account Group. Such assets are maintained on the basis of original cost and no depreciation is computed or recorded thereon. Fixed assets acquired with funds transferred to City Departments for projects are accounted for by the City.

The General Fixed Asset Account Group is not a "fund". It is only concerned with the measurement of financial position. It is not involved with the measurement of results of operations.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Capital Leases

Leases meeting the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, are recorded at inception of expenditure and other financing uses in the governmental fund and as assets and liabilities in the general fixed assets and general long-term debt account groups, respectively, at the present value of the future minimum lease payments, using the interest rates stated in the lease.

Compensated Absences

Employees receive vacation pay at the following levels: Full-time employees employed six through twelve months receive (five) 5 days annually; full-time employees employed one through five years receive ten (10) days annually; full-time employees employed six through ten years receive fifteen (15) days annually; full-time employees employed eleven through nineteen years receive twenty (20) days annually; and full-time employees for more than twenty years receive thirty (30) days annually.

All accrued vacation pay is fully vested. All full-time employees receive ten (10) days annually of sick leave. Sick leave can be accumulated up to sixty days, but does not vest and any unused amounts are forfeited upon retirement or termination of employment. Part-time employees receive prorated vacation and sick leave based on the percentage of the regular work week they are employed. Both vacation and sick pay are recognized when paid. Vacation leave is reported in the general long-term debt account group.

Employee Benefits

The District has a defined contribution retirement plan and whole life insurance for its employees (See NOTE 10). The contribution to the retirement plan is discretionary. These benefits are recognized when paid.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments are recorded in the fund's general ledgers, is not utilized by **the District**. However, open purchase orders and commitments are recorded on *an encumbrance schedule for management reporting*.

Estimates

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

Total Memorandum Only

Total column on the combined statements captioned Memorandum Only is to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in fund balance in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of the data.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Investments:

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state and national banks having their principal offices in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes Federal Deposit Insurance Corporation (FDIC) insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

At various times during 1999, deposits in excess of FDIC insurance were collateralized by the securities described above, except as further discussed in finding 99-5. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments considers these funds uncollateralized.

Even though these funds are considered to be uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposed a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Investments, Continued:

At December 31, 1999, the Board as fiscal agent of **the District** held on their behalf, cash in the amount of \$2,423 and securities consisting of certificates of deposit and United States Treasury Bills as follows:

| <u>Description</u> | <u>Interest Rate</u> | <u>Maturity</u> | <u>Carrying Amount</u> | <u>Approximate Market Value</u> |
|-------------------------------|--------------------------|-----------------|----------------------------|---|
| Certificate of Deposit | 5.90% | 01/27/00 | \$ 470,000 | \$ 470,000 |
| Certificate of Deposit | 5.56 | 02/17/00 | 1,090,000 | 1,090,000 |
| Certificate of Deposit | 5.77 | 03/02/00 | 945,000 | 945,000 |
| Certificate of Deposit | 5.70 | 03/09/00 | 160,000 | 160,000 |
| Certificate of Deposit | 5.73 | 03/16/00 | 170,000 | 170,000 |
| Certificate of Deposit | 5.20 | 03/30/00 | 95,000 | 95,000 |
| Certificate of Deposit | 6.00 | 06/15/00 | <u>175,000</u> | <u>175,000</u> |
| Total Certificates of Deposit | | | <u>3,105,000</u> | <u>3,105,000</u> |

| <u>Description</u> | <u>Discount Rate</u> | <u>Maturity</u> | <u>Cost</u> | <u>Approximate Market Value</u> |
|---------------------------------------|--------------------------|-----------------|--------------------|---|
| United States Treasury Bill | 4.98% | 02/24/00 | 65,000 | 65,000 |
| United States Treasury Bill | 5.09% | 02/24/00 | <u>163,000</u> | <u>163,000</u> |
| | | | 228,000 | <u>\$228,000</u> |
| Less unamortized discount | | | <u>1,792</u> | |
| Total United States Treasury Bills | | | <u>226,208</u> | |
| Grand total | | | <u>\$3,331,208</u> | |

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Investments, Continued:

Investments at December 31, 1999 are either covered by FDIC or by collateral held by a third party in the name of Board. The investments are categorized as Category I.

Accrued interest at December 31, 1999 on the above investments was \$39,033.

NOTE 3 - Cash and Temporary Cash Investments:

Cash and temporary cash investments include amounts in demand deposit accounts as well as short-term cash investments.

At December 31, 1999 the carrying amount of **the District's** deposits was \$978,403 and the bank balance was \$1,266,090. Of these amounts, \$100,000 is covered by federal deposit insurance and the remainder collateralized by a pledge of securities owned by the depository bank, but held in safekeeping by other financial institution (Category 3).

NOTE 4 - Real Estate Escrow Fund:

Certain property owners made tax payments under protest which had not been resolved at December 31, 1999 in the amount of \$730,085.

As of December 31, 1999, these funds are held in escrow by the City of New Orleans.

NOTE 5 - Property Taxes:

On November 17, 1975, the City obtained approval in a referendum for an additional 6-1/2 mills ad valorem tax on property within **the District** for the calendar years 1976 and 1977.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Property Taxes, Continued:

On October 1, 1977, the City obtained approval in a referendum to authorize the Council of the City of New Orleans to levy provisions of the Louisiana Constitution of 1974 and Subsection 1.I of Louisiana Act No. 124 of 1977 upon all taxable real property for ten years for special improvements, facilities, services, and the issuance of bonds as provided in the said Act, and to ratify the establishment of **the District**.

In accordance with the State Constitution, **the District** will maintain its mills on real property at 22.97 mills. Collection is currently suspended above 15.90 mills.

The District levied 15.9 mills on real property within its area for 1999. Taxes on real property are levied on January 1, and payable on January 1, and are delinquent February 1. Property taxes levied for 1999, collected during 1999, or expected to be collected in 1999 are recognized as revenues in 1999. Taxes levied for 2000 but collected in 1999 are reflected as deferred revenues. (See NOTES 4 and 8)

All property taxes are levied and collected by the City of New Orleans. Taxes collected, and any interest thereon, are to be deposited with the Board of Liquidation to the account of **the District**.

NOTE 6 - Fixed Assets:

A summary of changes in general fixed assets follows:

| | <u>Balance</u> <u>January 1, 1999</u> | <u>Additions</u> | <u>Reclassifications</u> | <u>December 31, 1999</u> |
|-----------------------|--|------------------|--------------------------|--------------------------|
| Motor vehicle | \$ 13,552 | \$ -0- | \$ -0- | \$ 13,552 |
| Office equipment | 82,609 | 3,257 | (18,684) | 67,182 |
| Office furniture | 44,341 | 5,738 | -0- | 50,079 |
| Promotional equipment | 392,475 | 1,000 | -0- | 393,475 |
| Capital leases | -0- | 32,170 | 18,684 | 50,854 |
| Public works | <u>183,361</u> | <u>-0-</u> | <u>-0-</u> | <u>183,361</u> |
| Total | <u>\$716,338</u> | <u>\$42,165</u> | <u>\$ -0-</u> | <u>\$758,503</u> |

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Due to City of New Orleans:

Because of the integral relationship of transactions between **the District** and the City of New Orleans, amounts due to the City of New Orleans at December 31, 1999 reflect the net of various transactions. Details are as follows:

| | |
|---|-----------------------------|
| Advance, payable and reimbursements due to the District for 1999 expenditures | \$ 887,876 |
| Amounts due to the City of New Orleans for fourth quarter expenditures, maintain advance and other | <u>(2,161,130)</u> |
| Net due to the City of New Orleans | <u><u>\$(1,273,254)</u></u> |

NOTE 8 - Deferred Revenues:

Ad valorem taxes of \$22,856 levied for 2000 and collected in 1999 are reflected as deferred revenue at December 31, 1999. (See NOTE 5). In addition, deferred revenues include: \$730,085 in taxes paid under protest and \$311,454 of unspent funds received from the New Orleans Area Tourism and Economic Development Fund in 1999 for the "Goodwill Ambassador" program in 1999.

NOTE 9 - Designated Fund Balance:

A portion of the fund balance in the amount of \$1,634,007 has been designated for subsequent year's expenditures (totaling \$7,621,937) as per the year 2000 approved annual plan.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Designated Fund Balance, Continued:

A detail of year 2000's budget is as follows:

| <u>Description</u> | <u>Amount</u> | <u>Totals</u> |
|--------------------------|------------------|--------------------|
| Administration | | \$1,350,695 |
| <u>Marketing</u> | | |
| Marketing and promotions | | 464,500 |
| <u>Operations</u> | | |
| Sanitation services | \$ 406,000 | |
| Capital improvements | 1,021,367 | |
| Maintenance | <u>1,380,700</u> | |
| | | 2,808,067 |
| <u>Public Safety</u> | | |
| Goodwill Ambassador | 350,000 | |
| DDD Police Substation | 18,000 | |
| NOPD services | 875,000 | |
| Public Safety | <u>125,000</u> | |
| | | <u>1,368,000</u> |
| | | |
| Page-total | | <u>\$5,991,262</u> |

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Designated Fund Balance, Continued:

| <u>Description</u> | <u>Amount</u> | <u>Totals</u> |
|-------------------------------|---------------|--------------------|
| <u>Special Projects</u> | | |
| Canal Street | \$ 750,000 | |
| Economic Development/Planning | 200,000 | |
| GIS System | 10,000 | |
| Medical District Improvements | 36,000 | |
| Kidopolis Childcare | 124,675 | |
| La Artist Guild | 200,000 | |
| NORMC | 75,000 | |
| Sidewalk Improvements | 200,000 | |
| WABA | <u>35,000</u> | |
| | | <u>1,630,675</u> |
| Total budgeted expenditures | | <u>\$7,621,937</u> |

NOTE 10 - Downtown Development District Employee Retirement Plan/Whole Life Insurance:

Retirement Plan

In 1993, **the District** established a defined contribution retirement plan for the employees of **the District**. Contributions to the plan are at the discretion of **the District**. All employees twenty-one (21) and over are eligible to participate in the plan. Vesting is over a five year period with 20% vesting per year of service. The plan's effective date was January 1, 1993 and all eligible

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Downtown Development District Employee
Retirement Plan/Whole Life Insurance, Continued:

Retirement Plan, Continued

employees on that date were given credit for their previous years of service for vesting purposes. All contributions made to the plan are the property of the plan and the participating employees. Management of the plan's assets and any costs related to its operations is the sole responsibility of the Trustee(s) and the Administrator of the Downtown Development District Employee Retirement Trust - Federal EIN 72-1241070. **The District's** contribution to the plan in 1999 was \$27,821 which was paid to American United Life for deposit with designated fund agencies who are to manage the investment of the plan's assets.

All of **the District's** employees participate in the plan. The payroll for covered employees and total payroll for the year ended December 31, 1999 was \$436,733.

Whole Life Insurance

In conjunction with the development of the above retirement plan, but not a part of that plan, **the District** in 1993 established an additional benefit in the form of whole life insurance policies for each of its employees. The insurance policies are purchased at an annual premium paid by **the District** to First Colony Life Insurance Company for which First Financial Resources acts as agent. The amount of insurance provided each employee is approximately twice their annual salary and the policy is in the name of and owned by the employee subject to the payment of the annual premium. Premiums paid by **the District** for the employees' policies in 1999 were \$12,193.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Commitments and Contingencies:

The District had services provided or which were to be provided at December 31, 1999 under various contractual arrangements that are to be financed in 2000 in the amount of \$1,625,000. These amounts are included in the 2000 plan designated fund balance for capital and maintenance projects.

The District approved in 1997 funding of the Louisiana Artists Guild project in the amount of \$750,000 as follows: \$200,000 in year one, \$250,000 in year two, and \$300,000 in year three contingent upon (1) certain fund-raising goals being met by January 2000; (2) sufficient funds being raised to the satisfaction of **the District's** Board in order to acquire, renovate/construct, and occupy the facility for its intended purpose; (3) appropriate recognition for **the District** within the facility; and (4) notification by August 1 of each year for the next year's funding.

In addition, **the District** entered into an agreement on May 23, 1997, with the Administrators of Tulane Educational Fund for the provision of a child care center in **the District's** area. The aggregate maximum cost is \$300,000. The payment obligations shall terminate on the earlier of the payment of the aggregate amount or December 31, 2000.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Commitments and Contingencies, Continued:

Capital Leases

Future minimum lease payments under capital leases as of December 31, 1999 for each of the next five (5) years and in the aggregate are:

| <u>Year Ending</u> | <u>Amount</u> |
|---|------------------|
| 2000 | \$ 8,820 |
| 2001 | 8,820 |
| 2002 | 8,820 |
| 2003 | 8,820 |
| 2004 | <u>5,880</u> |
| Total minimum lease payments | 41,160 |
| Less: Amount representing interest | <u>(11,484)</u> |
| Present value of net minimum lease payment | <u>\$ 29,676</u> |

Interest rates on capitalized leases are inputted based on the lower of **the District's** incremental borrowing rate at the inception of the lease.

Operating Leases

The District is leasing its offices at 601 Poydras Street for a period from June 15, 1995 to August 15, 2000. During 1999, this lease was amended and extended for one (1) additional year ending July 31, 2001. **The District** also leases office equipment with various terms from one month to sixty months.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Commitments and Contingencies, Continued:

Future minimum rental payments for leases with terms in excess of one year are as follows:

| <u>Year Ending</u> | <u>Office Space</u> | <u>Office Equipment</u> | <u>Total</u> |
|------------------------|-------------------------|-----------------------------|------------------|
| 2000 | \$ 68,420 | \$3,481 | \$ 71,901 |
| 2001 | <u>40,994</u> | <u>1,346</u> | <u>42,340</u> |
| Totals | <u>\$109,414</u> | <u>\$4,827</u> | <u>\$114,241</u> |

The total rent under the above leases was \$69,936 during 1999. Leases are funded from general fund revenues.

Unissued Bonds

On December 8, 1979, the City obtained approval in a referendum to issue up to \$7,500,000 of bonds for **the District**. The \$7,500,000 of unissued bonds at December 31, 1999 can be issued in the future when needed.

NOTE 12 - Litigation:

There are matters being litigated where various parties have brought suits against **the District** alleging injuries as a result of faults in various properties which **the District** does not own or maintain. Therefore, **the District's** management does not feel it has any liability for their injuries nor should they be a party to any of these suits. The results of any of this litigation cannot be determined at this time.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - Related Parties:

Various members of **the District's Board of Commissioners** are members of the boards of other non-profit organizations that may receive part of their funding for the performance of certain programs from **the District**. None of these members receive any form of compensation from any of these organizations.

NOTE 14 - Risk Management:

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which **the District** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 15 - Subsequent Events:

The District's 2000 budget plan in the amount of \$7,621,937 has been submitted to and approved by the City Council of New Orleans.

NOTE 16 - Concentration of Credit Risk:

The District's current principal source of revenue consist mainly of property taxes assessed.

NOTE 17 - Changes in General Long-term Debt:

| <u>Long-term Obligations</u> | <u>Balance January 1, 1999</u> | <u>Addition</u> | <u>Balance December 31, 1999</u> |
|----------------------------------|------------------------------------|-----------------|--------------------------------------|
| Compensated absences | \$22,985 | \$ -0- | \$22,326 |
| Capital Leases | <u>-0-</u> | <u>29,676</u> | <u>29,676</u> |
| | <u>\$22,985</u> | <u>\$29,676</u> | <u>\$52,002</u> |

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To the Audit Committee of
The Downtown Development District
of the City of New Orleans

We have audited the financial statements of the **Downtown Development District of the City of New Orleans (the District)** as of and for the year ended December 31, 1999, and have issued our report thereon dated March 31, 2000. We conducted our audit in accordance with generally accepted auditing standards 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 **the District'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 instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs as item 99-2, 99-3 and 99-4.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting


In planning and performing our audit, we considered **the District'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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. A reportable condition involves a matter coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **the District's** ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 99-1.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

(CONTINUED)

This report is intended solely for the information of the audit committee, Board of Commissioners, management, the City of New Orleans, Legislative Auditor and State of Louisiana, and is not intended to, and should not be used by anyone other than these specified parties.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 31, 2000

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

The audit findings have been segregated into internal and external. The internal findings relate to those events planned, executed and managed by **the District. The external findings relate to events planned, executed and managed by the City of New Orleans.*

Reference Number

99-1

Condition (External)*

As a part of the annual audit of **the District**, we have requested from the Bureau of the Treasury of the City of New Orleans, total taxes billed, collected, and outstanding as well as amounts paid under protest.

We continue to note inconsistencies in the relationship between the amounts billed, collected, outstanding, and paid under protest based on the confirmation response submitted to us by the City. For instance, in 1998 the confirmation indicated uncollected taxes of \$-0-. However, the 1999 confirmation reflects an outstanding balance of \$224,410 for 1998 taxes.

Furthermore, the tax collections plus the uncollected amounts for 1999 exceeds the taxes levied by approximately \$129,000. The City is unable to resolve the above differences. It is our understanding through discussion with the Bureau of the Treasury that the confirmation information is based on data received from the accounting department of the City.

We noted that the current management and the Board of Commissioners of **the District** have been pro-active in their approach through the hiring of legal counsel and a consultant to secure and analyze information from both the City of New Orleans and the Assessors office. The Chairman of the Board of Commissioners and the new Executive Director, hired on August 30, 1999, have had several meetings with the Chief Administrative Officer for the City, his deputy and other public officials to resolve the tax-related issues.

In addition, the Executive Director or staff and the Board of Commissioners are meeting with the City administration to resolve all outstanding issues.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

99-1

Recommendation

The District should continue in its dialogue with all parties to facilitate access to accurate tax assessments and collection information from the City on a more timely basis. In addition, **the District** should continue to actively enforce its legal rights to public records.

Management's Response

Current management is in discussion with the City of New Orleans that allows **DDD** staff to be directly involved and participate in the levying, billing and collection phases of revenue issues pertaining to **the District**. An individual at the City of New Orleans' Bureau of the Treasury Office, has been contacted and asked to include the **DDD** in all financial decisions made on our behalf.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

99-2

Condition (External)*

A compliance report (Act 19 - 1998) submitted to the State of Louisiana reflected \$295,944 for Ambassador's Program expenses. The actual cost incurred by the City of New Orleans Public Works was \$88,546. Based on our review of documents submitted to **the District** by the City of New Orleans, we noted the incorrect reporting of expenditures. Furthermore, we noted that **the District** has submitted to the City of New Orleans a signed contract and currently is awaiting its execution.

Management has made specific efforts toward resolution of the above referenced condition. The new Executive Director has held several meetings with the Deputy Chief Administrative Officer for the City in an attempt to secure the necessary financial information and an executed contract, but to no avail. The Finance Manager for **the District** has also made several attempts to secure the necessary financial information from the Department of Public Works without much success. In addition, a new Public Safety Manager has been hired effective January 18, 2000 and charged with the responsibility of ensuring the effective and efficient administration of the program.

Recommendation

We recommend that management re-evaluate the current program status to ensure compliance of the programmatic and financial management aspects in accordance with its contract with the State of Louisiana.

Management's Response

DDD staff has implemented an aggressive program of accountability which will require the City of New Orleans or other entities to provide proof of invoices and payments on a monthly basis. The **DDD** will strictly enforce contract compliance on future programs.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

99-3

Conditions (Internal)*

Our testing of twenty (20) vendor files, revealed the following conditions:

- **The District** made payments to two vendors (dated June 25, 1999 and November 17, 1999) totaling approximately \$31,000 for "emergency" repairs without the benefit of a timely planning and competitive procurement process. Similar services have been utilized in previous years. Subsequent to year-end, new management has undertaken the necessary procurement processes to secure future services.
- **The District** was unable to provide a sign contract for sidewalk enhancement services performed in the amount of approximately \$17,000 paid on August 17, 1999. However, management's approval is indicated on the invoice in payment for the completed services.

Based upon our discussion with management, the new Executive Director and her staff have instituted the necessary procedures to eliminate the recurrence of the referenced conditions.

Recommendation

The procurement planning process for the **the District** should incorporate an identification of the annual needs of **the District**. Such a plan will provide management of **the District** with the assurance of satisfaction of those needs at the lowest cost, consistent with the best quality of goods and services required, and in compliance with Board policy.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999

Recommendation, Continued

Consistent with **the District's** practice, contracts should be executed and maintained for the referenced services.

Management's Response

Under new management, the Executive Director has implemented a program requiring all department managers to contract "emergency issues" on an annual needs as dictated by historical events and ensure that all payments have executed contents in place.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1999**

Reference Number

99-4

Condition (Internal)*

The District's financial institution failed to maintain adequate pledged collateral on funds maintained for **the District** at December 31, 1999 in accordance with Louisiana Revised Statute 39:1225.

The amount of collected funds on deposit at December 31, 1999 was \$1,266,090 compared to the pledged collateral of \$981,165. Based on our discussion with staff at the financial institution, it is our understanding that the required collateral level has been pledged subsequent to that date.

Recommendation

Management should consider the execution of an agreement with the Bank to require a minimum of one hundred (100%) percent collateral at all times for funds held for **the District**. In addition, a periodic review should be performed to ensure continued compliance by the financial institution.

Management Response

The financial institution has been contacted for not maintaining adequate pledged collateral. A written agreement will be executed outlining the details and commitments necessary to protect the **DDD's** public funds by May 31, 2000.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

98-1

Recommendation (Internal)*

Develop formal written procedures to formalize the monitoring of budgetary line items. Such a process should include the submission of periodic reports to the Board and senior management.

Current Status

The District has through the efforts of the new Executive Director and her staff, incorporated a detail budgetary system as of October 1999. A consultant has been hired as of February 9, 2000 to develop a procedures manual. Expected completion date is May 31, 2000. Currently, the Board and senior management receive monthly reports.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

98-2

Recommendation (External)*

The District should continue in its efforts to secure the ad valorem tax assessment information from the Assessor's office. Such a report should assist **the District** in *independently ascertaining the correctness of information provided by the City*, assist in the resolution of issues regarding differences in amount as reported by the City to **the District** and as recorded by **the District** as well as provide a tool for planning its future revenue.

Current status

Subsequent to several meetings held by the Chairman of the Board of Commissioners and the Executive Director with the management of the City, **the District** has secured the services of legal counsel to enforce the public records laws. In addition, the services of a consultant has been procured to address the above condition.

Also, see current year finding 99-1.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

98-3

Recommendation (External)*

We recommend that **the District** insist that the New Orleans Police Department (NOPD) complies with the reporting requirements as dictated in the contractual agreement. Such a reporting will facilitate **the District's** ability to monitor and evaluate the agreement to ensure compliance.

Current Status

The new Executive Director has held several meetings with City management and the NOPD in an effort toward compliance with the referenced condition.

In addition, a new Public Safety Manager has been hired as of January 18, 2000 and charged with the responsibility to: (1) develop and maintain a partnership with NOPD, (2) monitor NOPD's deployment and equipment, (3) develop and monitor its budget and performance and (4) implement and monitor program enhancements.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

97-1

Recommendation (Internal)*

We recommended that **the District** develop a complete written Accounting Policies and Procedures Manual.

The manual should include policies and procedures that address, at a minimum, the following conditions noted in our audit of **the District's** records:

- Capitalization of fixed assets;
- Periodic accounting for all fixed assets;
- Accounting and reporting of leases in accordance with the applicable standards;
- Classification of expense accounts;
- Establishment of an outstanding check policy; and
- Enhancing internal control policies over disbursements.

Current Status

The District secured a consultant on February 9, 2000 to develop and prepare a written Accounting Policies and Procedures Manual. Anticipated completion date is May 31, 2000.

In addition, the Board of Commissioners in October 1999 adopted various resolutions that address issues such as authority to manage day-to-day operations, check signing and tax assessment procedures.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

97-2

Recommendation (Internal)*

We recommended that management ensure that the District's systems are year 2000 compliant.

Current Status

Resolved.

Reference Number

97-3

Recommendation (Internal)*

We recommended that management evaluate its current disaster recovery plan. The evaluation process should include, at a minimum, consideration for a more periodic "backup" of data and storage to minimize the downtime and effort that may be required in the event of a disaster.

Current Status

Resolved.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

97-4

Recommendation (Internal)*

We recommended that management evaluate the current internal control structure to ensure the proper segregation of duties. Such a process should also consider the establishment of offsetting controls to minimize any potential exposure.

Areas for enhancement include the development of written procedures to address budgeting, fund accounting, treasury function for investments and bank deposits, access to data, assets and computer programs, and periodic inventory of fixed assets.

Current Status

We have observed that **the District** under its new Executive Director and her staff recognize the importance of internal control and have actively participated in key activities.

Also see 97-1.

Reference Number

97-5

Recommendation (Internal)*

We recommended that **the District** establish a dollar threshold within which the Executive Director and the Chairman of the Board may execute contracts on behalf of **the District**. The dollar threshold should provide specific authorization for the execution of contracts with subsequent Board ratification. On a monthly basis all such contracts should be reported to the Board. Finally, all contracts approved by the Board should be signed by the Chairman of the Board or his or her designee.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

97-5

Current Status

Resolved.

Reference Number

97-6

Recommendation (External)*

We recommended that the City of New Orleans provide **the District** with information to facilitate the reconciliation of the differences in ad valorem taxes receivable.

Current Status

Currently, **the District** continues to request documentation of taxes assessed, billed, adjusted, and collected. The Board of Commissioners and the Executive Director are meeting with the City Administration to resolve the above condition.

Also see 99-1.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

97-7

Recommendation (External)*

We recommended that **the District** request that the City of New Orleans monitor its compliance with budgetary constraints as it relates to and affects **the District**. In addition, the timely submission of financial information by the City to **the District** should facilitate the identification of potential overruns to ensure timely resolution.

Current Status

The City of New Orleans has improved their reporting process for expenditures on NOPD and Sanitation from a budgetary prospective. However, they continue to struggle with preparing and accurately reporting warrants that are usually submitted six to nine months late. These issues have been addressed in several executive meetings between the Board of Commissioners, the new Executive Director and the City.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, (CONTINUED)
STATUS OF PRIOR YEARS' FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Reference Number

96-1

Recommendation (External)*

The City of New Orleans should provide the required reports to facilitate the timely and accurate reporting of all transactions.

Current Status

Currently, **the District** continues to request documentation for all transactions. The Board of Commissioners and Executive Director are meeting with the City Administration to resolve the above condition.

Also see 97-6, 97-7 and 98-3.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999**

Section I: SUMMARY OF AUDITORS' RESULTS

Federal Awards, Continued

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)?

N/A*

Identification of Major Programs:

N/A*

Dollar threshold used to distinguish between Type A and Type B Programs:

N/A*

Is the auditee a 'low-risk' auditee, as defined by OMB Circular A-133?

N/A*

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS

Reportable Conditions

Reference Number

99-1

Condition (External)*

As a part of the annual audit of **the District**, we have requested from the Bureau of the Treasury of the City of New Orleans, total taxes billed, collected, and outstanding as well as amounts paid under protest.

We continue to note inconsistencies in the relationship between the amounts billed, collected, outstanding, and paid under protest based on the confirmation response submitted to us by the City. For instance, in 1998 the confirmation indicated uncollected taxes of \$-0-. However, the 1999 confirmation reflects an outstanding balance of \$224,410 for 1998 taxes.

Furthermore, the tax collections plus the uncollected amounts for 1999 exceeds the taxes levied by approximately \$129,000. The City is unable to resolve the above differences. It is our understanding through discussion with the Bureau of the Treasury that the confirmation information is based on data received from the accounting department of the City.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions

Reference Number

99-1

Condition (External)*

We noted that the current management and the Board of Commissioners of **the District** have been pro-active in their approach through the hiring of legal counsel and a consultant to secure and analyze information from both the City of New Orleans and the Assessors office. The Chairman of the Board of Commissioners and the new Executive Director hired on August 30, 1999, have had several meetings with the Chief Administrative Officer for the City his deputy and other public officials to resolve the tax related issues.

In addition, the Executive Director or staff and the Board of Commissioners are meeting with the City administration to resolve all outstanding issues.

Recommendation

The District should continue in its dialogue with all parties to facilitate access to accurate tax assessments and collection information from the City on a more timely basis. In addition, **the District** should continue to actively enforce its legal rights to public records.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions

Reference Number

99-1

Management's Response

Current management is in discussion with the City of New Orleans that allows **DDD** staff to be directly involved and participate in the levying, billing and collection phases of revenue issues pertaining to **the District**. An individual at the City of New Orleans' Bureau of the Treasury Office, has been contacted and asked to include the **DDD** in all financial decisions made on our behalf.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Reference Number

99-2

Condition (External)*

A compliance report (Act 19 - 1998) submitted to the State of Louisiana reflected \$295,944 for Ambassador's Program expenses. The actual cost incurred by the City of New Orleans Public Works was \$88,546. Based on our review of documents submitted to **the District** by the City of New Orleans, we noted the incorrect reporting of expenditures. Furthermore, we noted that **the District** has submitted to the City of New Orleans a signed contract and currently is awaiting its execution.

Management has made specific efforts toward resolution of the above referenced condition. The new Executive Director has held several meetings with the Deputy Chief Administrative Officer for the City in an attempt to secure the necessary financial information and an executed contract, but to no avail. The Finance Manager for **the District** has also made several attempts to secure the necessary financial information from the Department of Public Works without much success. In addition, a new Public Safety Manager has been hired effective January 18, 2000 and charged with the responsibility of ensuring the effective and efficient administration of the program.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Reference Number, Continued

99-2

Recommendation

We recommend that management re-evaluate the current program status to ensure compliance of the programmatic and financial management aspects in accordance with its contract with the State of Louisiana.

Management's Response

DDD staff has implemented an aggressive program of accountability which will require the City of New Orleans or other entities to provide proof of invoices and payments on a monthly basis. The **DDD** will strictly enforce contract compliance on future programs.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Reference Number

99-3

Conditions (Internal)*

Our testing of twenty-five (25) vendors, revealed the following conditions:

- **The District** made payments to two vendors (dated June 25, 1999 and November 17, 1999) totaling approximately \$31,000 for "emergency" repairs without the benefit of a timely planning and competitive procurement process. Similar services have been utilized in previous years. Subsequent to year-end, new management has undertaken the necessary procurement processes to secure future services.
- **The District** was unable to provide a signed contract for sidewalk enhancement services performed in the amount of approximately \$17,000 paid on August 17, 1999. However, management's approval is indicated on the invoice in payment for the completed services.

Based upon our discussion with management, the new Executive Director and her staff have instituted the necessary procedures to eliminate the recurrence of the referenced conditions.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Reference Number, Continued

99-3

Recommendation

The procurement planning process for the **the District** should incorporate an identification of the annual needs of **the District**. Such a plan will provide management of **the District** with the assurance of satisfaction of those needs at the lowest cost, consistent with the best quality of goods and services required, and in compliance with Board policy. Consistent with **the District's** practice, contracts should be executed and maintained for the referenced services.

Management's Response

Under new management, the Executive Director has implemented a program requiring all department managers to contract "emergency issues" on an annual needs as dictated by historical events and ensure that all payments have executed contracts in place.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999**

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Reference Number

99-4

Condition (Internal)*

The District's financial institution failed to maintain adequate pledged collateral on funds maintained for **the District** at December 31, 1999 in accordance with Louisiana Revised Statute 39:1225.

The amount of collected funds on deposit at December 31, 1999 was \$1,266,090 compared to the pledged collateral of \$981,165. Based on our discussion with staff at the financial institution, it is our understanding that the required collateral level has been pledged subsequent to that date.

Recommendation

Management should consider the execution of an agreement with the Bank to require a minimum of one hundred (100%) percent collateral at all times for funds held for **the District**. In addition, a periodic review should be performed to ensure continued compliance by the financial institution.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1999

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Reference Number

99-4

Management Response

The financial institution has been contacted for not maintaining adequate pledged collateral. A written agreement will be executed outlining the details and commitments necessary to protect the DDD's public funds by May 31, 2000.

Section III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

The District did not receive any Federal Award during the year ended December 31, 1999.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections I, II and III: Status of Prior Year's Findings and Questioned Costs

Section II: The District did not receive any federal awards during the year ended December 31, 1999.

Sections I and III:

Reference Number

98-1

Recommendation (Internal)*

Develop formal written procedures to formalize the monitoring of budgetary line items. Such a process should include the submission of periodic reports to the Board and senior management.

Current Status

The District has through the efforts of the new Executive Director and her staff, incorporated a detail budgetary system as of October 1999. A consultant has been hired as of February 9, 2000 to develop a procedures manual. Expected completion date is May 31, 2000. Currently, the Board and senior management receive monthly reports.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

98-2

Recommendation (External)*

The District should continue in its efforts to secure the ad valorem tax assessment information from the Assessor's office. Such a report should assist **the District** in independently ascertaining the correctness of information provided by the City, assist in the resolution of issues regarding differences in amount as reported by the City to **the District** and as recorded by **the District** as well as provide a tool for planning its future revenue.

Current status

Subsequent to several meetings held by the Chairman of the Board of Commissioners and the new Executive Director with the management of the City, **the District** has secured the services of legal counsel to enforce the public records laws. In addition, the services of a consultant has been procured to address the above condition.

Also, see current year finding 99-1.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

98-3

Recommendation (External)*

We recommend that **the District** insist that the New Orleans Police Department (NOPD) complies with the reporting requirements as dictated in the contractual agreement. Such a reporting will facilitate **the District's** ability to monitor and evaluate the agreement to ensure compliance.

Current Status

The new Executive Director has held several meetings with City management and the NOPD in an effort toward compliance with the referenced condition.

In addition, a new Public Safety Manager has been hired as of January 18, 2000 and charged with the responsible to: (1) develop and maintain a partnership with NOPD, (2) monitor NOPD's deployment and equipment, (3) develop and monitor its budget and performance and (4) implement and monitor program enhancements.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

97-1

Recommendation (Internal)*

We recommended that **the District** develop a complete written Accounting Policies and Procedures Manual.

The manual should include policies and procedures that address, at a minimum, the following conditions noted in our audit of **the District's** records:

- Capitalization of fixed assets;
- Periodic accounting for all fixed assets;
- Accounting and reporting of leases in accordance with the applicable standards;
- Classification of expense accounts;
- Establishment of an outstanding check policy; and
- Enhancing internal control policies over disbursements.

Current Status

The District secured a consultant on February 9, 2000 to develop and prepare a written Accounting Policies and Procedures Manual. Anticipated completion date is May 31, 2000. In addition, the Board of Commissioners in October 1999 adopted various resolutions that address issues such as authority to manage day-do-day operations, check signing, and tax assessment procedures.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

97-2

Recommendation (Internal)*

We recommended that management ensure that **the District's** systems are year 2000 compliant.

Current Status

Resolved.

Reference Number

97-3

Recommendation (Internal)*

We recommended that management evaluate its current disaster recovery plan. The evaluation process should include, at a minimum, consideration for a more periodic "backup" of data and storage to minimize the downtime and effort that may be required in the event of a disaster.

Current Status

Resolved.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

97-4

Recommendation (Internal)*

We recommended that management evaluate the current internal control structure to ensure the proper segregation of duties. Such a process should also consider the establishment of offsetting controls to minimize any potential exposure.

Areas for enhancement include the development of written procedures to address budgeting, fund accounting, treasury function for investments and bank deposits, access to data, assets and computer programs, and periodic inventory of fixed assets.

Current Status

We have observed that **the District** under its new Executive Director and her staff recognize the importance of internal control and have actively participated in key activities.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

97-5

Recommendation (Internal)*

We recommended that **the District** establish a dollar threshold within which the Executive Director and the Chairman of the Board may execute contracts on behalf of **the District**. The dollar threshold should provide specific authorization for the execution of contracts with subsequent Board ratification. On a monthly basis all such contracts should be reported to the Board. Finally, all contracts approved by the Board should be signed by the Chairman of the Board or his or her designee.

Current Status

Resolved.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

97-6

Recommendation (External)*

We recommended that the City of New Orleans provide **the District** with information to facilitate the reconciliation of the differences in ad valorem taxes receivable.

Current Status

Currently, **the District** continues to request documentation of taxes assessed, billed, adjusted, and collected. The Board of Commissioners and the new Executive Director are meeting with the City administration to resolve the above condition.

Also see 99-1.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

97-7

Recommendation (External)*

We recommended that **the District** request that the City of New Orleans monitor its compliance with budgetary constraints as it relates to and affects **the District**. In addition, the timely submission of financial information by the City to **the District** should facilitate the identification of potential overruns to ensure timely resolution.

Current Status

The City of New Orleans has improved their reporting process for expenditures on NOPD and Sanitation from a budgetary prospective. However, they continue to struggle with preparing and accurately reporting warrants that are usually submitted six to nine months late. These issues have been addressed in several executive meetings between the Commissioners, the new Executive Director and the City.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS,
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999

Sections, I and III, Continued

Reference Number

96-1

Recommendation (External)*

The City of New Orleans should provide the required reports to facilitate the timely and accurate reporting of all transactions.

Current Status

Currently, **the District** continues to request documentation for all transactions. The Board of Commissioners and Executive Director are meeting with the City Administration to resolve the above condition.

Also, see 97-6, 97-7 and 98-3.

**DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**

EXIT CONFERENCE

An exit conference was held on Wednesday 10, 2000 with representatives of **the District**. The contents of this report were discussed and management is in agreement. Those persons in attendance were as follows

**THE DOWNTOWN DEVELOPMENT DISTRICT OF
THE CITY OF NEW ORLEANS**

| | | |
|--------------------------|----|---|
| Mr. Virgil Robinson, Jr. | -- | Chairman Audit and Finance Committee |
| Ms. Valerie B. Marais | -- | Member Audit and Finance Committee |
| Ms. Kimberly Williamson | -- | Executive Director |
| Ms. Donna Gogreve | -- | Manager of Finance |

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

| | | |
|----------------------------------|----|----------------|
| Mr. Alcide J. Tervalon, Jr., CPA | -- | Partner |
| Mr. Paul K. Andoh, Sr., CPA | -- | Senior Manager |



DOWNTOWN
DEVELOPMENT
DISTRICT

RECEIVED
LEGISLATIVE AUDITOR
00 JUN -1 AM 10:32

RECEIVED
LEGISLATIVE AUDITOR
00 JUN 32 AM 9:43

May 2, 2000

Bruno & Tervalon
Certified Public Accountants
650 South Pierce Street - Suite 203
New Orleans, LA 70119

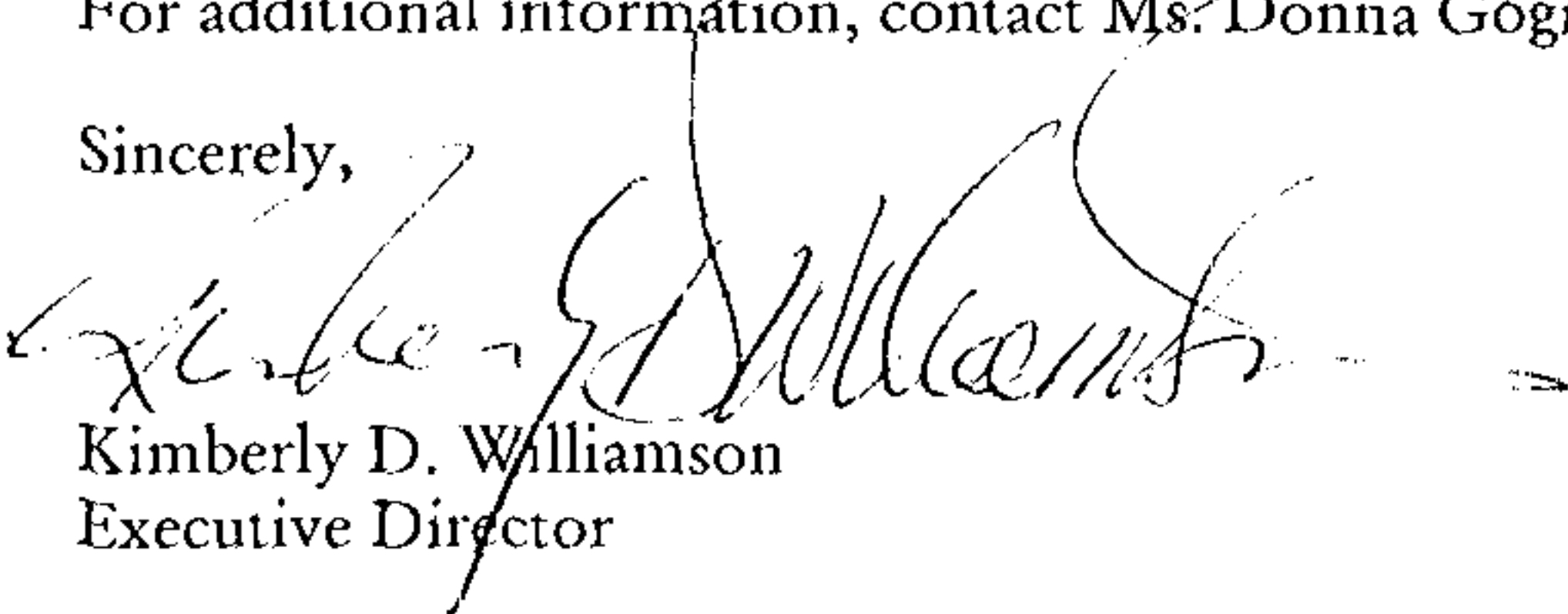
Dear Sirs:

Enclosed is the corrective action plan developed by the Downtown Development District of the City of New Orleans, in response to the audit findings for the year ending December 31, 1999.

Since my arrival on August 30, 1999, I have witnessed the commitment on the part of the Board of Commission to be proactive in its efforts toward resolutions on all prior management's reportable conditions and findings. As Executive Director, I have and will continue to actively participate in key activities which will eliminate the recurrence of all past conditions.

For additional information, contact Ms. Donna Gogreve, Finance Manager, at (504) 561-8927.

Sincerely,


Kimberly D. Williamson
Executive Director

KDW/cgp

Enclosures

cc: Donna Gogreve, Finance Manager

1999 AUDIT COMPLIANCE RESPONSES

99-1

Current management is in discussion with the City of New Orleans that allows DDD staff to be directly involved and participate in the levying, billing and collection phases of revenue issues pertaining to the District. Cynthia Foster, Treasurer, has been contacted and asked to include the DDD in all financial decisions made on our behalf.

99-2

DDD staff has implemented an aggressive program of accountability which will require the City of New Orleans or other entities to provide proof of invoices and payments on a monthly basis. The DDD will strictly enforce contract compliances on future programs.

99-3

Under new management, the Executive Director has implemented a program requiring all department managers to contract "emergency issues" on an annual basis as dictated by historical events. The Executive Director has implemented and strongly enforces an accounting policies and procedures program that will insure all future payments have executed contracts in place.

99-4

The financial institution has been contacted for not maintaining adequate pledged collateral. A written agreement has been executed outlining the details and commitments necessary to protect the DDD's public funds.

1998 AUDIT COMPLIANCE RESPONSES

98-1

The DDD has implemented a "Budget-to-Actual" reporting system, which reflects monthly and year-to-date comparisons. Included with the reporting system is an evaluation of expenditures and committed funds. These reports are presented to the Board on a monthly basis.

98-2

Ms. Cynthia Foster, Treasurer, was contacted and requested to notify the DDD of any current taxing activity incurred on the DDD's behalf.

98-3

The DDD has hired a new Public Safety Manager who will enforce contract compliance by monitoring monthly activities by the DDD-NOPD task force.

97-1

The DDD has hired accounting consultants to prepare an Accounting Policies and Procedures Handbook. May 31, 2000 is the completion deadline.

97-2

As of June 1, 1999, the DDD computers and NT network systems have been upgraded and verified, by NPC, Inc., to comply with 2000 requirements.

97-3

Resolved.

The DDD enhanced its disaster recovery plan by purchasing a "fire-proof" file cabinet to house vital information and files necessary to re-create the DDD if necessary. The DDD upgraded its computer system to include an automatic nightly tape backup system. For safety, the "successfully completed" backup tapes are stored in the fire-proof" each workday. In addition, the MIS assistant takes a backup off premises.

97-4

The DDD is fully staffed and has implemented internal control procedures. The DDD enhanced "segregation of duties" by adding an assistant.

97-5

Resolved by Resolution 99-02, 99-01.

97-6

See Ref. 99-1.

97-7

See Ref. 98-3.

96-1

The Executive Director and Finance Manager has met with the CAO and Finance Director to discuss improving reporting activities. The Executive Director has obtained a commitment from the Mayor to setup the DDD as a remote user to their GFS system.