

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

Schedule 1
(Continued)

Variance -
Favorable
(Unfavorable)

Activity	Budget	Actual	
Other charges for current services:			
Rent	61,500	61,254	246
Insurance	52,500	51,597	903
Parking	16,000	15,893	107
Telephone	14,000	13,515	485
Advertising	12,200	12,392	192
Meetings and conferences	1,000	2,851	1,851
Miscellaneous	14,300	13,411	889
	<u>171,500</u>	<u>169,823</u>	<u>1,677</u>
Total administration	820,000	807,618	12,382
Planning/Promotions			
Planning:			
Contractual services	185,000	189,226	4,226
Supplies and materials	5,000	4,823	177
Equipment and Property	1,000,000	4,565	995,435
Other charges	60,000	59,135	865
	<u>1,250,000</u>	<u>248,149</u>	<u>1,001,851</u>
Promotions:			
Contractual services	250,000	167,878	82,122
Supplies and materials	50,000	4,944	45,056
Other charges	100,000	17,297	82,703
	<u>400,000</u>	<u>190,119</u>	<u>209,881</u>
Total planning/promotions	1,650,000	438,268	1,211,732

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Financial Report
The Downtown Development District
of the City of New Orleans, Louisiana

December 31, 1996

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

Release Date JUN 11 1997

**SCHEDULE OF EXPENDITURES - BY ACTIVITY -
BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL FUND**

The Downtown Development District
of the City of New Orleans, Louisiana

For the year ended December 31, 1996

Activity	Budget	Actual	Variance - Favorable (Unfavorable)
Administration			
Personal services:			
Salaries and wages	\$ 424,000	\$ 423,171	\$ 829
Contract labor	1,500	1,008	492
Employee benefits	<u>129,000</u>	<u>117,843</u>	<u>2,157</u>
	<u>545,500</u>	<u>542,022</u>	<u>3,478</u>
Contractual services:			
Professional fees	<u>51,000</u>	<u>47,983</u>	<u>3,017</u>
Supplies and materials:			
Stationery and office supplies	28,000	19,110	890
Printing and duplicating	3,500	7,409	61
Postage/express mail/freight out	<u>9,500</u>	<u>9,005</u>	<u>494</u>
	<u>37,000</u>	<u>35,524</u>	<u>1,476</u>
Equipment and property:			
Equipment rentals	2,000	1,737	263
Property and equipment repairs and maintenance	5,000	4,967	33
Purchases of expendable property	500	290	210
Capital outlay - Purchases of furniture and equipment	<u>5,500</u>	<u>5,179</u>	<u>321</u>
	<u>13,000</u>	<u>12,173</u>	<u>827</u>

Schedule I
(Continued)

Variance -
Favorable
(Unfavorable)

Activity	Budget	Actual	Variance - Favorable (Unfavorable)
Capital Projects Management			
Sidewalk Matching Program:			
Contractual services	298,000	266,457	31,543
Supplies and materials	1,000	34	966
Other charges	1,000	518	482
	<u>300,000</u>	<u>267,009</u>	<u>32,991</u>
Summer Youth Program:			
Contractual services	30,000	24,500	5,500
Equipment and property	1,000	881	119
Other charges	1,000	115	885
	<u>32,000</u>	<u>25,496</u>	<u>6,504</u>
Trash Receptacles:			
Repairs and maintenance	2,000	146	1,854
Purchases of expendable property	6,000	5,520	480
Capital outlay - purchases of trash receptacles	62,000	60,232	1,768
	<u>70,000</u>	<u>65,898</u>	<u>4,102</u>
Other Capital Projects:			
Personal services	1,000	69	931
Contractual services	81,500	70,948	12,552
Supplies and materials	1,000	977	23
Equipment and property	500	361	139
Other charges	17,000	14,805	2,195
	<u>103,000</u>	<u>86,960</u>	<u>16,040</u>
Total capital projects management	<u>505,000</u>	<u>444,763</u>	<u>60,237</u>

Schedule I
(Continued)

Variance -
Favorable
(Unfavorable)

Activity	Budget	Actual	Variance - Favorable (Unfavorable)
Maintenance			
Special Area Maintenance Program:			
Contractual services	<u>629,362</u>	<u>628,214</u>	<u>1,152</u>
Cultural/Contingencies			
Cultural events:			
Contractual services	<u>90,000</u>	<u>49,388</u>	<u>40,612</u>
Contingencies	<u>250,000</u>		<u>250,000</u>
Total cultural/contingencies	<u>340,000</u>	<u>49,388</u>	<u>290,612</u>
Total expenditures	<u>\$ 5,149,362</u>	<u>\$ 2,885,479</u>	<u>\$ 2,263,883</u>

**SCHEDULE OF OTHER USES
BUDGET (GAAP BASIS) AND ACTUAL
GENERAL FUND**

**The Downtown Development District
of the City of New Orleans, Louisiana**

For the year ended December 31, 1996

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Transfers to the City of New Orleans			
By Department - Project and Type:			
Police - Law Enforcement - Services	\$ 813,659	\$ 588,405	\$ 225,254
Sanitation - Core Area Clean-Up - Services	150,000	121,314	28,686
CAC's Office:			
Deacon Plaza Improvements - Capital	50,000	50,000	
Square 28 Improvements - Capital	<u>1,000,000</u>	<u>88,247</u>	<u>911,753</u>
Total other uses	<u>\$ 2,013,659</u>	<u>\$ 1,847,966</u>	<u>\$ 1,165,693</u>



Comptroller General

**INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL
CONTROL STRUCTURE BASED ON AN AUDIT OF
GENERAL-PURPOSE FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners,
The Downtown Development District
of the City of New Orleans,
New Orleans, Louisiana.

We have audited the general-purpose financial statements of The Downtown Development District of the City of New Orleans, Louisiana (the District), a component unit of the City of New Orleans, Louisiana, as of and for the year ended December 31, 1996, and have issued our report thereon dated April 22, 1997.

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

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

In planning and performing our audit of the general-purpose financial statements of the District for the year-ended December 31, 1995, we obtained an understanding on the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general-purpose 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 structure and its operations that we consider to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. Moreover, this report is a matter of public record and its distribution is not limited.

Bougie Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
April 22, 1997.



Ernst & Young

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners,
The Downtown Development District
of the City of New Orleans,
New Orleans, Louisiana

We have audited the accompanying general-purpose financial statements of the Downtown Development District of the City of New Orleans, (the District), a component unit of the City of New Orleans, Louisiana as of and for the year ended December 31, 1998, as listed in the table contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose 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, 1998, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles.

1

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana and the Legislative Auditor for the State of Louisiana. However, this report is a matter of public record and distribution is not limited.

Bouyeir Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
April 22, 1997.

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Douglas Bennett

April 28, 1997

Mr. Brian G. Ladd, Chairman, and
Members of the Audit Committee of the
Downtown Development District of the
City of New Orleans
601 Poydras St., Suite 1975
New Orleans, Louisiana 70116-6019

In fulfilling our responsibility as The Downtown Development District of the City of New Orleans' (the District) auditors, we are required to communicate to the Audit Committee certain matters related to the conduct of our audit.

1. AUDITORS' RESPONSIBILITY UNDER GENERALLY ACCEPTED
AUDITING STANDARDS (GAAS)

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

Reports have been issued on internal control and compliance with laws and regulations as required by the above standards.

2. SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies are described in Note 1 to the financial statements. No new accounting policies were adopted nor required to be adopted for the year ended December 31, 1996.

3. MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES

The estimate of the allowance for uncollectible taxes resulted in a net increase in the allowance of \$45,931. There were adjustments by the assessors to 1996 taxes of \$241,070 and against uncollected taxes from previous years of \$3,555. There were also refunds of prior year collections of \$26,073. The adjustments plus the increase in the allowance resulted in a bad debt write off of \$248,190 for the year ended December 31, 1996.

In 1996, taxes paid under protest increased \$59,989. Taxes paid under protest at December 31, 1996, have not been reflected as deferred revenues, because the allowance for doubtful accounts is considered adequate should the determination of their collectibility be unfavorable.

4. SIGNIFICANT AUDIT ADJUSTMENTS

We did initiate one significant audit adjustment for accrued interest on investments of \$73,704 during our recent audit. Accrued interest on investments in prior years was considered immaterial. Year end adjustments and closing entries were prepared.

5. SUPPLEMENTARY INFORMATION

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed under the Supplementary Information Section in the table of contents as "Schedules" is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statement taken as a whole.

Mr. Brian G. Lade, Chairman, and
Members of the Audit Committee of the
Downtown Development District of the
City of New Orleans
April 28, 1997
Page 3

6. PROBLEMS IN GETTING INFORMATION FROM CITY OF NEW ORLEANS

The District, since October 1, 1995, has not been receiving monthly reports from the City detailing expenditures and changes in encumbrances. It is our understanding these reports are needed by the District to evaluate whether transactions are in accordance with your directives and allow for timely recording of these transactions in the District's accounting records. They are also needed for reconciling the City's request for reimbursement of expenditures and advances for encumbrances.

The District has withheld approval of Warrants 95-4A, 96-1, 96-1A and 96-2 that had been presented as of December 31, 1996, by the City for payment. Further, warrants for the period July 1, 1995 through December 31, 1996 (including the City's 12th period) had not been presented to the District as of April 28, 1997.

We have been working with the City's Department of Finance in an effort to resolve these matters. As of April 28, 1997, we have received the following information from the City:

- Report ID: A611Y's - Trial Balances by Accounting Distribution for the years ended December 31, 1995 and 1996.
- Report ID: E641A's - Aged Open Purchase Order by Vendor and Purchase Order as of December 31, 1995 and December 31, 1996.
- Warrants prepared by the City for the third and fourth quarters of 1996.
- Report ID: A611Y's - Trial balance by Accounting Distribution for the months January through December 31, 1996.

Note 5 - CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance January <u>1, 1996</u>	Additions	Balance December <u>31, 1997</u>
Motor vehicle	\$ 13,552		\$ 13,552
Office equipment	67,828		67,828
Office furniture	75,151	\$ 4,279	79,430
Promotional equipment	3,126	5,864	7,990
Public works	<u>94,421</u>	<u>60,732</u>	<u>155,153</u>
Totals	<u>\$254,108</u>	<u>\$70,775</u>	<u>\$324,883</u>

Note 6 - 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, 1996 reflects the net of various transactions. Details are as follows:

Reimbursements due the District for expenditures not recognized by the City for 1996 (P.V.210 14-37M)	\$ 336,984
Advances by the District to the City for encumbrances on behalf of the District	8,449
Advance by the District to the City for operations	<u>328,000</u>
Gross advances and reimbursements due District	685,433
Amounts due by the District to the City for 1996 expenditures	<u>4,620,578</u>
Net due to City of New Orleans	<u>\$3,935,145</u>

Note 7 - DEFERRED REVENUES

All water use taxes (\$27,555) levied for 1997 collected in 1996 are reflected as deferred revenues at December 31, 1996. (See Note 3).

SUPPLEMENTARY INFORMATION

Note 11 - LITIGATION

There are matters being litigated where various parties have brought suit against the District alleging injuries as the 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.

Note 12 - 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 10 - COMMITMENTS AND CONTINGENCIES

Service Contracts

The District had services provided or to be provided at December 31, 1996 under various contractual arrangements that are to be financed in 1997 in the amount of \$933,538. These amounts are included in the 1997 plus designated fund balance of \$3,200,000.

Operating Leases

The Downtown Development District leases its offices at 601 Poplar Street for a sixty-two (62) month period from June 15, 1996 to August 15, 2000. The District also has leases for office equipment with various terms from one month to sixty months.

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

Year Ending	Office Space	Office Equipment	Total
1997	\$ 65,824	\$ 3,452	\$ 69,076
1998	65,824	3,452	69,076
1999	65,824	3,452	69,076
2000	41,815	1,728	43,743
Totals	\$239,327	\$12,082	\$251,409

Total rents under the above leases were \$63,498 during 1996. Leases are to be funded from General Fund revenues.

Unissued Bonds

On December 8, 1978, 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, 1996 can be issued in the future when needed.

Note 8 - DESIGNATED FUND BALANCE

A portion of the fund balance has been designated for subsequent year's expenditures as follows:

1997 plan designations	\$3,200,000
1996 expenditure amounts encumbered by the City on behalf of the District	8,442
Total designated fund balance	<u>\$3,208,442</u>

Note 9 - 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 21 and over are eligible to participate in the plan. Vesting is over a five year period with 30% vesting per year of service. The Plan's effective date was January 1, 1993a and all eligible 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 73-1241070. The District's contribution to the Plan in 1996 was \$39,260 which was paid to Business & Professional Consulting Services, Inc. for deposit with MPF Service Center, Inc. who is to manage the investment of the Plan's assets.

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 employee policies in 1996 were \$14,464.

Our audit was made for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed under the Supplementary Information Section in the table of contents as "Schedules" is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued a report dated April 22, 1997 on our consideration of the District's internal control structure and a report dated April 22, 1997 on its compliance with laws and regulations.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
April 22, 1997.

Note 3 - REAL ESTATE ESCROW FUND

Certain property owners made tax payments under protest which had not been received as of December 31, 1996 in the amount of \$81,300.

Note 4 - PROPERTY TAXES

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

On October 1, 1977, the City obtained approval in a referendum to authorize the Council of the City of New Orleans to levy a special ad valorem tax not to exceed ten mills or its 1978 equivalent under the Louisiana Constitution of 1974 and Subsection 11 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.

On December 8, 1978, the City obtained approval in a referendum to authorize the Council of the City of New Orleans to levy a special ad valorem tax not to exceed eighteen and one-quarter mills under the Louisiana Constitution of 1974 and Section 2748.3 of Title 53 of the Louisiana Revised Statutes of 1958, as amended, upon all taxable real property within the boundaries of the Downtown Development District of the City for a period not to exceed twenty-five years from the date such tax is first levied and to issue bonds of the City in an aggregate principal amount not to exceed Seven Million Five Hundred Thousand Dollars (\$7,500,000), which shall be payable solely from the proceeds of such special tax. The board has designated 8-1/2 mills to be reserved for capital projects and/or bond debt service.

The District levied 15.9 mills on real property within its area for 1996. Taxes on real property are levied on January 1, are payable on January 1, and are delinquent February 1. Property taxes levied for 1996, collected during 1996, or expected to be collected in 1997 are recognized as revenues in 1996. Taxes levied for 1997 but collected in 1996 are reflected as deferred revenues. (See Notes 3 and 7 for deferred tax revenues.)

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

Note 2 - CASH AND INVESTMENTS (Continued)

Description	Cost	Market
Certificate of Deposit - rate 5.43% due February 6, 1997 - face value \$928,000	\$ 928,000	\$ 927,489
Certificate of Deposit - rate 5.43% due February 13, 1997 - face value \$865,000	865,000	883,005
Certificate of Deposit - rate 5.43% due February 13, 1997 - face value \$410,000	410,000	412,901
Certificate of Deposit - rate 5.48% due February 20, 1997 - face value \$925,000	925,000	930,612
Certificate of Deposit - rate 5.48% due February 27, 1997 - face value \$895,000	895,000	899,360
Certificate of Deposit - rate 5.55% due February 27, 1997 - face value \$360,000	360,000	366,882
Certificate of Deposit - rate 5.6% due March 6, 1997 - face value \$370,000	370,000	376,734
Certificate of Deposit - rate 5.43% due March 6, 1997 - face value \$255,000	255,000	256,004
Certificate of Deposit - rate 5.47% due March 13, 1997 - face value \$815,000	815,000	817,353
Certificate of Deposit - rate 5.5% due May 1, 1997 - face value \$280,000	<u>280,000</u>	<u>282,588</u>
Total certificates of deposit	<u>6,205,000</u>	<u>6,263,932</u>
United States Treasury Bill - yield 5.08% due January 16, 1997 - maturity \$50,000	49,374	49,888
United States Treasury Bill - yield 5.113% due January 23, 1997 - maturity \$436,000	430,512	434,599
United States Treasury Bill - yield 5.386% due March 25, 1997 - maturity \$826,000	804,787	815,919
United States Treasury Bill - yield 5.254% due April 10, 1997 - maturity \$92,000	<u>92,621</u>	<u>90,682</u>
Total U.S. Treasury Bills	<u>1,377,294</u>	<u>1,381,098</u>
Total Investments	<u>\$7,579,324</u>	<u>\$7,645,031</u>

Accrued interest at December 31, 1997 on the above investments was \$75,704.
See Note 1 d.

Note 3 - CASH AND INVESTMENTS

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office 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 FIC/OPSLIC 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 1996 deposits in excess of FDIC insurance were collateralized by the securities described above. 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 18:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

At December 31, 1996, the Board of Liquidation, City Debt as fiscal agent of The Downtown Development District of the City of New Orleans held on their behalf, cash in the amount of \$32,994 and securities consisting of Certificates of Deposit and U.S. Treasury bills as follows:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Accumulated Vacation and Sick Leave

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

All accrued vacation pay is fully vested. All full-time employees receive 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 vacations and sick leave based on the percentage of the regular work week they are employed. Both vacation and sick pay are recognized when paid. Vested vacation is not considered material.

h) Employee Benefits

The District has a defined contribution retirement plan and whole life insurance for its employees. The contributions to the retirement plan is discretionary. These benefits are recognized when paid. (See Note 5).

i) 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.

j) Total Column on Combined Statements - Overview

Total column on the Combined Statements - Overview is captioned Memorandum Only 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 financial position 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.

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE -
BUDGET (GAAP BASIS) AND ACTUAL -
GENERAL FUND**

The Downtown Development District
of the City of New Orleans, Louisiana

For the year ended December 31, 1996

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
Revenues			
Ad valorem taxes (net of provision for uncollectible delinquent taxes of \$316,699)	\$ 3,779,800	\$ 3,199,976	\$ (579,824)
Miscellaneous:			
Interest on delinquent taxes		2,406	2,406
Interest earned on investments	100,000	413,891	313,891
Other		5,813	5,813
Total revenues	<u>3,879,800</u>	<u>3,613,895</u>	<u>(265,905)</u>
Expenditures			
General government - by activity:			
Administration	826,000	807,618	18,382
Planning/Provisions	1,650,000	439,268	1,210,732
Special Programs/Projects	1,203,000	525,330	677,670
Capital Projects Management	503,000	444,783	58,217
Maintenance	629,382	628,219	1,163
Cultural/Contingencies	340,000	40,300	299,700
Total expenditures	<u>5,149,382</u>	<u>2,885,679</u>	<u>2,263,703</u>
Excess (deficiency) of revenues over expenditures	<u>(1,279,582)</u>	<u>728,216</u>	<u>2,007,798</u>
Other financing sources (uses)			
Transfers to the City of New Orleans	<u>(2,213,658)</u>	<u>(1,047,760)</u>	<u>1,165,898</u>
Excess (deficiency) of revenues over Expenditures And Other Uses	<u>(3,493,240)</u>	<u>(132,150)</u>	<u>3,361,090</u>
Fund Balance			
Beginning of year	<u>4,056,592</u>	<u>4,056,592</u>	
End of year	<u>\$ 50,352</u>	<u>\$ 3,924,442</u>	<u>\$ 3,374,090</u>

See notes to financial statements.

**COMBINED BALANCE SHEET:
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP**

The Downtown Development District
of the City of New Orleans, Louisiana

December 31, 1990

	<u>Governmental Fund Type Column</u>	<u>Account Group General Fund Assets</u>	<u>Total (Please include Only)</u>
ASSETS			
Cash:			
Bank	\$ 36,148		\$ 36,148
Held by Board of Liquidation, City Debt	22,894		22,894
Held by City of New Orleans - Real Estate Escrow Fund	81,302		81,302
Investments held by Board of Liquidation, City Debt - at cost	7,879,324		7,879,324
Receivables:			
All amounts less (net of allowance for uncollectible items \$213,822)	182,349		182,349
Accrued interest receivable	15,364		15,364
Miscellaneous	5,660		5,660
Prepaid expenses	25,014		25,014
Deposits	200		200
Fund assets	<u> </u>	<u>\$ 323,483</u>	<u>323,483</u>
Total assets	<u>\$7,993,009</u>	<u>\$ 323,483</u>	<u>\$8,316,492</u>
LIABILITIES			
Accounts payable - trade	\$ 9,863		\$ 9,863
Due to the City of New Orleans	3,843,144		3,843,144
Contracts payable	78,546		78,546
Deferred revenues	37,232		37,232
Total liabilities	<u>4,068,785</u>		<u>4,068,785</u>
FUND EQUITY			
Investment in general fund assets		<u>\$ 323,483</u>	<u>323,483</u>
Fund balances:			
Reserved for capital project	111,353		111,353
Unreserved:			
Designated for subsequent year's expenditures	3,208,449		3,208,449
Undesignated	614,347		614,347
Total fund balances	<u>3,924,149</u>		<u>3,924,149</u>
Total fund equity	<u>3,924,149</u>	<u>323,483</u>	<u>4,247,632</u>
Total liabilities and fund equity	<u>\$7,993,009</u>	<u>\$ 323,483</u>	<u>\$8,316,492</u>

See notes to financial statements.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) **Bad Debts**

An allowance based upon uncollected taxes has been established for ad valorem taxes receivable.

d) **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 fixed 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 operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in Governmental Funds. Furniture, equipment, and motor vehicles used in administration and certain public works equipment (trash receptacles) are recorded in the General Fixed Assets Group of Accounts. Such assets are maintained on the basis of original cost and no depreciation is computed or recorded thereon. Property, plant and equipment 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 concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS**The Downtown Development District
of the City of New Orleans, Louisiana**

December 31, 1996

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Expressway right-of-way less and except ramp areas, and in a northwesterly direction to the lake side right-of-way line of Chalibone Avenue; thence northeasterly along the lake side of said right-of-way line of Chalibone 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 the Mississippi River; thence continuing along the east bank of said river to the upper right-of-way line of the Mississippi River Bridge approaches and Pontchartrain Expressway, being the point of beginning.

The Acts also created a Board of Commissioners for the District composed of nine members to develop a plan for the District.

Act 389 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 (the District).

The District is a component unit 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:

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Fund Accounting

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

A fund is a separate accounting entity with a self-balancing set of accounts. 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 fund because they do not directly affect net expendable available financial resources.

Governmental Funds

Governmental Funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the Governmental Fund 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.

b) Basis of Accounting

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, i.e., 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) Basis of Accounting (Continued)

Property taxes are recorded as revenue in the year for which they are levied except for taxes paid under protest if considered material. These taxes are recorded as deferred revenues until they become available. See notes 3, 4, and 7 for additional information concerning property taxes.

Interest on delinquent taxes and earned on checking accounts is recorded as revenue when received in cash by the Board of Liquidation, City Debt 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.

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 costs of that project.

c) Operating Budgetary Data

The District follows the procedures prescribed by Act 478 as amended of the State of Louisiana Legislature effective January 1, 1975. Relevant portions of these procedures are:

- (1) The Board 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.
- (2) Any plan shall include (a) an estimate of the annual and aggregate cost of acquiring, constructing 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; and (c) an estimate of

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Operating Budgetary Data (Continued)

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.

- (3) After completion, the plan is 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 90 days of receipt thereof, together with its written comments and recommendations.
- (4) The City Council may by a majority of its members accept or reject the plan. If accepted the plan may be implemented.
- (5) 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 canceled normally.
- (6) The District through ordinances approved by the City Council can amend the budget at its discretion.

d) Investments

The Board of Liquidation, City Debt receives funds from the City of New Orleans for the account of the District. These funds are invested by the Board of Liquidation, City Debt for the District. Such investments consist of United States Treasury Bills and Certificates of Deposit and are usually for periods of 90 days to one year. Such investments are valued at cost and interest earned thereon is recorded when earned. See Note 2.