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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 audited, 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 7-28-99

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 1998

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MICHAEL B. BRUNO, CPA
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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, 1998, 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.

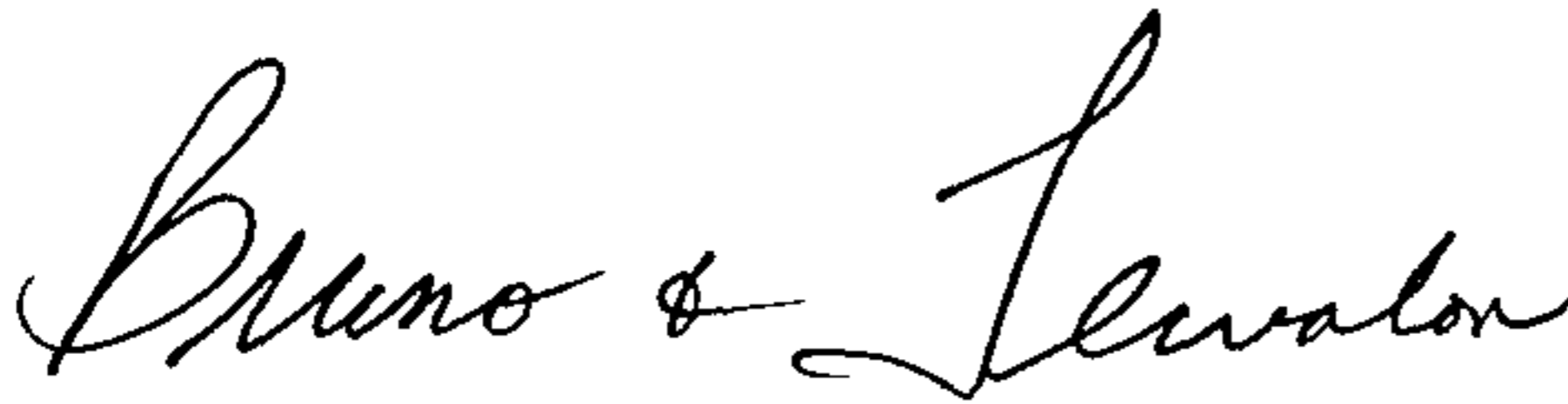
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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, 1998, 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 May 4, 1999 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

May 4, 1999

THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
COMBINED BALANCE SHEET--GOVERNMENTAL
FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 1998

	GOVERNMENTAL FUND TYPE S		ACCOUNT GROUPS			Total (Memorandum Only)
	General	Capital Projects	General Fixed Assets	General Long-term Debt		
<u>ASSETS AND OTHER DEBIT</u>						
Cash:						
Cash and temporary cash investments	\$ 400,418	\$-0-	\$ -0-	\$ -0-	\$ -0-	\$ 400,418
Held by the Board of Liquidation, City Debt (NOTE 2)	6,279	-0-	-0-	-0-	-0-	6,279
Held by the City of New Orleans (NOTES 4 and 8)	511,005	-0-	-0-	-0-	-0-	511,005
Investments held by the Board of Liquidation, City Debt-at cost (NOTE 2)	4,014,275	-0-	-0-	-0-	-0-	4,014,275
Receivables:						
Ad valorem taxes (net of allowance for uncollectible taxes \$213,220) (NOTES 4 & 8)	823,144	-0-	-0-	-0-	-0-	823,144
Accrued interest (NOTE 2)	46,132	-0-	-0-	-0-	-0-	46,132
Prepaid expenses and other assets	15,732	-0-	-0-	-0-	-0-	15,732
Amount to be provided for retirement of general long-term debt	-0-	-0-	-0-	22,985	22,985	22,985
Fixed assets (NOTE 6)	<u>-0-</u>	<u>-0-</u>	<u>716,338</u>	<u>-0-</u>	<u>716,338</u>	<u>716,338</u>
Total assets and other debit	<u>\$5,816,985</u>	<u>\$-0-</u>	<u>\$716,338</u>	<u>\$22,985</u>	<u>\$-0-</u>	<u>\$6,556,308</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, 1998

	<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 Long-term Debt</u>	
	<u>General</u>					
Accounts and other payables	\$ 445,645	\$-0-	\$ -0-	\$ -0-	\$ -0-	\$ 445,645
Due to the City of New Orleans, net (NOTE 7)	634,568	-0-	-0-	-0-	-0-	634,568
Deferred revenues (NOTES 4 and 8)	651,292	-0-	-0-	-0-	-0-	651,292
Compensated absences payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>22,985</u>	<u>22,985</u>	<u>22,985</u>
Total liabilities	<u>1,731,505</u>	<u>-0-</u>	<u>-0-</u>	<u>22,985</u>	<u>22,985</u>	<u>1,754,490</u>
	<u>-0-</u>	<u>-0-</u>	<u>716,338</u>	<u>-0-</u>	<u>-0-</u>	<u>716,338</u>
Investment in general fixed assets (NOTE 6)						
Fund balances:						
Reserved for capital and maintenance projects (NOTE 11)	2,425,000	-0-	-0-	-0-	-0-	2,425,000
Designated for subsequent year's expenditures (NOTE 9)	1,650,000	-0-	-0-	-0-	-0-	1,650,000
Undesignated	<u>10,480</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>10,480</u>
Total fund balances	<u>4,085,480</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>4,085,480</u>
Total fund equity	<u>4,085,480</u>	<u>-0-</u>	<u>716,338</u>	<u>-0-</u>	<u>-0-</u>	<u>4,801,818</u>
Total liabilities and fund equity	<u>\$5,816,985</u>	<u>\$-0-</u>	<u>\$716,338</u>	<u>\$22,985</u>	<u>\$22,985</u>	<u>\$6,556,308</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, 1998**

	<u>GOVERNMENTAL FUND TYPES</u>		<u>Total (Memorandum Only)</u>
	<u>General</u>	<u>Capital Projects</u>	
Revenues:			
Ad valorem taxes	\$3,762,643	\$ -0-	\$3,762,643
New Orleans Area Tourism and Economic Development Fund	300,638	-0-	300,638
Interest on delinquent taxes	7,865	-0-	7,865
Interest on investments	394,589	-0-	394,589
Interest on cash and temporary cash investments	<u>10,682</u>	<u>-0-</u>	<u>10,682</u>
Total revenues	<u>4,476,417</u>	<u>-0-</u>	<u>4,476,417</u>
Expenditures:			
Administration	851,915	-0-	851,915
Public safety	921,709	-0-	921,709
Public spaces/maintenance	1,230,112	932,758	2,162,870
Canal Street	20,986	-0-	20,986
Unique environmental/special projects	747,886	-0-	747,886
Other programs	211,371	-0-	211,371
Other capital projects	90,999	-0-	90,999
Planning	83,016	-0-	83,016
Promotions	<u>160,468</u>	<u>-0-</u>	<u>160,468</u>
Total expenditures	<u>4,318,462</u>	<u>932,758</u>	<u>5,251,220</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>157,955</u>	<u>(932,758)</u>	<u>(774,803)</u>
Other financing sources (uses):			
Operating transfers in (out)	(147,273)	147,273	-0-
Transfers from City of New Orleans	<u>-0-</u>	<u>785,485</u>	<u>785,485</u>
Excess of revenues over expenditures	<u>10,682</u>	<u>-0-</u>	<u>10,682</u>
Fund Balance:			
Beginning of year	4,014,419	-0-	4,014,419
Adjustment to beginning fund balance (NOTE 17)	<u>60,379</u>	<u>-0-</u>	<u>60,379</u>
End of year	<u>\$4,085,480</u>	<u>\$ -0-</u>	<u>\$4,085,480</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--BUDGET
AND ACTUAL-GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1998**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Ad valorem taxes	\$ 3,750,000	\$3,762,643	\$ 12,643
Interest on delinquent taxes	-0-	7,865	7,865
Interest on investments	200,000	394,589	194,589
Interest on cash and temporary cash investments	-0-	10,682	10,682
New Orleans Tourism Economic Development Fund	<u>400,000</u>	<u>300,638</u>	<u>(99,362)</u>
Total revenues	<u>4,350,000</u>	<u>4,476,417</u>	<u>126,417</u>
Expenditures:			
Administration	840,000	851,915	(11,915)
Public safety	1,025,000	921,709	103,291
Public spaces/maintenance	2,600,000	1,230,112	1,369,888
Canal Street	200,000	20,986	179,014
Unique environmental/special projects	1,710,000	747,886	962,114
Other programs	240,000	211,371	28,629
Other capital projects	30,000	90,999	(60,999)
Planning	150,000	83,016	66,984
Promotions	<u>150,000</u>	<u>160,468</u>	<u>(10,468)</u>
Total expenditures	<u>6,945,000</u>	<u>4,318,462</u>	<u>2,626,538</u>
Excess (deficiency) of revenues over expenditures before financing sources (uses)	<u>(2,595,000)</u>	<u>157,955</u>	<u>(2,752,955)</u>
Other Financing Sources (Uses):			
Operating transfers in (out)	-0-	(147,273)	147,273
Transfers from City of New Orleans	<u>2,595,000</u>	<u>-0-</u>	<u>2,595,000</u>
Excess (deficiency) revenue over expenditures	<u>\$ -0-</u>	<u>10,682</u>	<u>\$ 10,682</u>
Fund Balance:			
Beginning of year		4,014,419	
Adjustment to beginning fund balance (NOTE 17)		<u>60,379</u>	
End of year		<u>\$4,085,480</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", comprise 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 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 governmental fund type 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. At December 31, 1998 capital lease obligations are not material to the general purpose financial statements.

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.

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

NOTE 1 - Summary of Significant Accounting Policies, Continued

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.

Encumbrances

Encumbrances 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/Federal Savings and Loans Insurance Corporation (FDIC/FSLIC) 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 1998, deposits in excess of FDIC/FSLIC 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 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, 1998, the Board as fiscal agent of the District held on their behalf, cash in the amount of \$6,279 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	4.75%	01/28/99	\$ 120,000	\$ 120,000
Certificate of Deposit	5.35	02/11/99	1,890,000	1,890,000
Certificate of Deposit	4.65	02/11/99	210,000	210,000
Certificate of Deposit	5.35	02/25/99	90,000	90,000
Certificate of Deposit	4.50	02/25/99	30,000	30,000
Certificate of Deposit	4.76	03/04/99	810,000	810,000
Certificate of Deposit	5.02	03/18/99	<u>165,000</u>	<u>165,000</u>
Total Certificates of Deposit			<u>\$3,315,000</u>	<u>\$3,315,000</u>

<u>Description</u>	<u>Discount Rate</u>	<u>Maturity</u>	<u>Cost</u>	<u>Approximate Market Value</u>
United States Treasury Bill	3.60%	01/07/99	\$ 92,000	\$ 92,000
United States Treasury Bill	4.29%	02/18/99	<u>611,000</u>	<u>611,000</u>
			703,000	<u>\$ 703,000</u>
Less unamortized discount			<u>(3,725)</u>	
Total United States Treasury Bills			<u>\$ 699,275</u>	
Grand Total			<u>\$4,014,275</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, 1998 are either covered by FDIC/FSLIC 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, 1998 on the above investments was \$46,132.

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, 1998 the carrying amount of the District's deposits was \$917,702 and the bank balance was \$957,463.

NOTE 4 - Real Estate Escrow Fund:

Certain property owners made tax payments under protest which had not been resolved at December 31, 1998 in the amount of \$511,005.

As of December 31, 1998, 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 mill ad valorem tax on property within the designated 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, and suspend collection above 15.90 mills.

The District levied 15.9 mills on real property within its area for 1998. Taxes on real property are levied on January 1, and payable on January 1, and are delinquent February 1. Property taxes levied for 1998, collected during 1998, or expected to be collected in 1998 are recognized as revenues in 1998. Taxes levied for 1999 but collected in 1998 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:

	Balance <u>January 1, 1998</u>	<u>Additions</u>	<u>December 31, 1998</u>
Motor vehicle	\$ 13,552	\$ -0-	\$ 13,552
Office equipment	78,429	4,180	82,609
Office furniture	42,928	1,413	44,341
Promotional equipment	392,475	-0-	392,475
Public works	<u>183,361</u>	<u>-0-</u>	<u>183,361</u>
	<u>\$710,745</u>	<u>\$5,593</u>	<u>\$716,338</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, 1998 reflect the net of various transactions. Details are as follows:

Advance and reimbursements due to the District for 1998 expenditures	\$ 1,059,850
Amounts due to the City of New Orleans for third and fourth quarter expenditures and to maintain advance	<u>(1,694,418)</u>
Net due to the City of New Orleans	\$ <u>(634,568)</u>

NOTE 8 - Deferred Revenues:

Ad valorem taxes of \$40,910 levied for 1999 and collected in 1998 are reflected as deferred revenue at December 31, 1998. (See NOTE 5). In addition, deferred revenues include: \$511,005 in taxes paid under protest and \$99,377 of funds received from the New Orleans Area Tourism and Economic Development fund in 1998 for sidewalk improvements in 1999.

NOTE 9 - Designated Fund Balance:

A portion of the fund balance in the amount of \$1,650,000 has been designated for subsequent year's expenditures (totaling \$6,400,000) as per the 1999 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 subsequent year's budget is as follows:

<u>Description</u>	<u>Amount</u>	<u>Totals</u>
Public Safety:		
NOPD Services	\$ 875,000	
"Street Smart" Campaign	100,000	
Public Safety Consultant Services	<u>25,000</u>	
		<u>\$ 1,000,000</u>
Public Spaces:		
Sidewalk Cleaning Services	1,000,000	
Sanitation Services	405,000	
Sidewalk Tree Maintenance Service	<u>200,000</u>	
		<u>1,605,000</u>
Canal Street:		
ULI Planning/Implementation:		
Facade Improvement Program	500,000	
Design Services	400,000	
Other	<u>400,000</u>	
		<u>1,300,000</u>
Page-total		<u>\$3,905,000</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>
Unique Environment:		
Sidewalk Improvements	\$ 400,000	
Medical District Improvements	75,000	
Retail Marketing	<u>350,000</u>	
		\$ <u>825,000</u>
Other:		
Administration	900,000	
Childcare	160,000	
Promotions	150,000	
Planning	150,000	
NORMC	40,000	
Summer Youth Program	30,000	
Reserves/Contingency	<u>240,000</u>	
		<u>1,670,000</u>
Total budgeted expenditures		<u>\$6,400,000</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 1998 was \$23,519 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, 1998 was \$448,293.

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 1998 were \$13,205.

**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, 1998 under various contractual arrangements that are to be financed in 1999 in the amount of \$1,375,000. These amounts are included in the 1999 plan designated fund balance for and capital 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.

Operating Leases

The Downtown Development District is leasing its offices at 601 Poydras Street for a period from June 15, 1996 to August 15, 2000. **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</u> <u>Ending</u>	<u>Office</u> <u>Space</u>	<u>Office</u> <u>Equipment</u>	<u>Total</u>
1999	\$ 64,349	\$12,879	\$ 77,228
2000	37,537	6,482	44,019
2001	<u>-0-</u>	<u>2,932</u>	<u>2,932</u>
Totals	<u>\$101,886</u>	<u>\$22,293</u>	<u>\$124,179</u>

The total rent under the above leases was \$65,650 during 1998. 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, 1998 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:

Act 19 of the 1998 regular Legislative Session provided for an appropriation of \$400,000 to **the District** from the New Orleans Area Tourism and Economic Development Fund. The funding is to develop a "Goodwill Ambassador" program for the Central Business District of New Orleans.

Subsequent to year-end **the District** has received the \$400,000 from the State.

The District's 1999 plan in the amount of \$6,400,000 has been submitted to and approved by the City Council of New Orleans.

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

NOTE 16 - Concentration of Credit Risk:

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

NOTE 17 - Fund Balance Adjustment:

The adjustment to beginning fund balance in the amount of \$60,379 is the result of unrecorded prior year tax assessments collected in a subsequent period.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**


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

Our report on our audit of the general purpose financial statements of the **Downtown Development District of the City of New Orleans (the District)** appears on page 1. This audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole.

The accompanying disclosure on year 2000 issues is presented in accordance with the requirements of Governmental Accounting Standards Board Technical Bulletin 99-1 Disclosures about year 2000 issues - an amendment of Technical Bulletin 98-1. We have applied certain limited procedures which consisted primarily of inquiries of management regarding the stages of assessment and presentation of the supplementary information.

We did not audit the year 2000 disclosure information and as such do not express an opinion on it.

Also, because of the unprecedented nature of the year 2000 issue, its effects, and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. Management cannot assure that **the District** is, or will be, year 2000 ready, that its remediation efforts will be successful in whole, or in part, or that parties with whom **the District** does business will be year 2000 ready.


BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

May 4, 1999

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
YEAR 2000 DISCLOSURE ISSUES**

The year 2000 issue is the result of short comings in many electronic data processing systems and other electronic equipment that may adversely affect **the District's** operations.

The District has completed an inventory of its computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting **the District's** operations. **The District** has identified such systems as being financial and accounting, reporting, payroll and employee benefits.

Overall, **the District** has undertaken and completed its awareness, assessment and remediation stages of the year 2000 preparedness process. Currently, **the District** has upgraded or updated the necessary systems and equipment to be year 2000 compliant. The validation/testing stage is ongoing.

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, 1998, and have issued our report thereon dated May 4, 1999. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying Schedule of Findings and Questioned Costs as item 98-3.

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

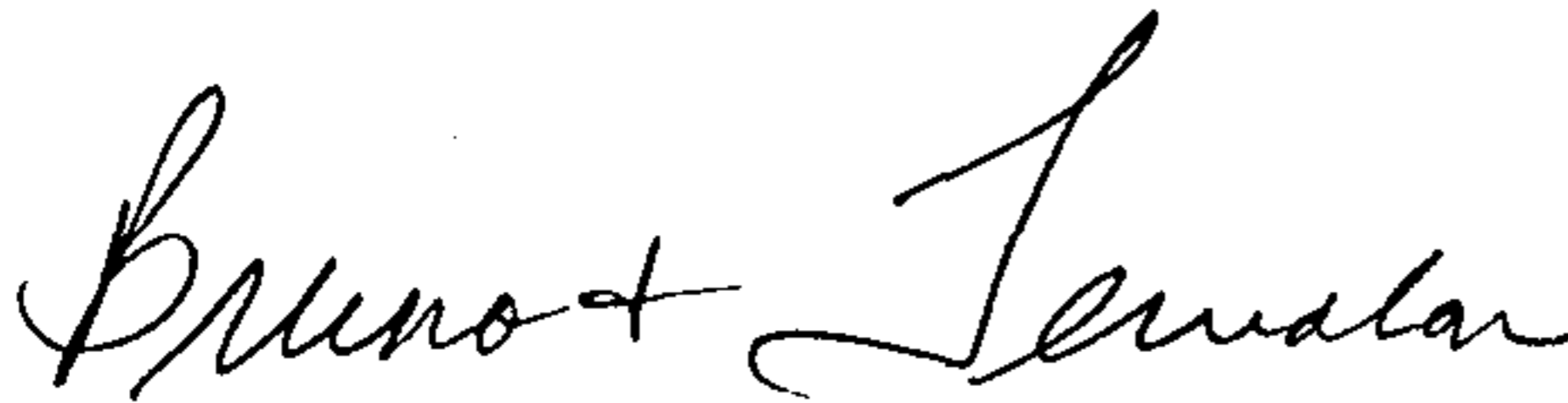
In planning and performing our audit, we considered the **District's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters 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. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1 and 98-2.

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 none of the reportable conditions described above are material weaknesses.

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 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

May 4, 1999

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

Reference Number

98-1

Condition

The District has no formal system in place to ensure adequate monitoring of budgetary line items. It is our understanding that oversight was performed and provided by the Executive Director through the review and approval of the expenditures process. Establishment of such a system should enhance **the District's** planning, and evaluation of its expenditures as directed by its annual plan. It should be noted that subsequent to year end, **the District** has implemented a reporting process to facilitate the periodic monitoring and evaluation of budgeted expenditures as well as committed funds.

Recommendation

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

Management's Response

Prior to February 1999, the Executive Director prepared and handled all budgetary and ordinance activities. Since February 1999, **the District** 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.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 1998

Reference Number

98-2

Condition

Currently, **the District** receives confirmation for its ad valorem tax assessments from the City of New Orleans on an annual basis.

In order to ensure the correctness of information provided we requested from the Assessor's Office a confirmation of the total assessments for the tax year ended December 31, 1998.

We were unable to secure such information to facilitate our audit for the year ended December 31, 1998.

Recommendation

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 amounts 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.

Management's Response

The District has established a monthly policy requesting the Assessor's Office and the Department of Treasury to notify **the District** of any current taxing activity incurred on **the District's** behalf. The procedure will require these departments to take responsibility for reporting any changes by releasing an authorized confirmation form.

**DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SCHEDULE OF FINDING AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

Reference Number

98-3

Condition

Pursuant to Section IIA1(c) of the contract between the City of New Orleans Police Department (NOPD) and **the District**, the following weekly and monthly reports are required:

- Weekly timesheets for **the District/NOPD** officers which indicate services performed;
- Monthly crime statistics for all categories of reported crime (including Part I and Part II offenses); and
- Monthly financial reports of all activity charged to **the District's** funds (personnel, fringe benefits, equipment, services, etc.).

As part of the year end audit of **the District**, we requested the referenced reports to provide a basis for our review of compliance with the contractual agreement between **the District** and NOPD. We were unable to secure the required reports.

Recommendation

We recommend that **the District** insist that NOPD comply 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.

Management's Response

The District is fine tuning a program, which will involve the Public Safety Director and **the District's** Safety Committee's plans and suggestions to bring in-house a large portion of the NOPD's accounting transactions. A complete program has been outlined and will be incorporated into the current **District/NOPD** contract.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

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*

Section II: FINANCIAL STATEMENT FINDINGS

Reportable Conditions

Reference Number

98-1

Condition

o Development of a formal system to ensure adequate monitoring of budgetary line items.

Recommendation

We recommend that **the District** develop a formal written procedures to formalize its monitoring process.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Management's Response

Prior to February 1999, the Executive Director prepared and handled all budgetary and ordinance activities. Since February 1999, **the District** 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.

Reference Number

98-2

Condition

- o Lack of access to ad valorem tax assessments maintained by the tax Assessor's Office.

Recommendation

We recommend that management continue in its efforts to secure the ad valorem tax assessment information.

Management's Response

The District has established a monthly policy requesting the Assessor's Office and the Department of Treasury to notify **the District** of any current taxing activity incurred on **the District's** behalf. The procedure will require these departments to take responsibility for reporting any changes by releasing an authorized confirmation form.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 1998**

Section II: FINANCIAL STATEMENT FINDINGS, CONTINUED

Reportable Conditions, Continued

Reference Number

98-3

Condition

Weekly and monthly reports required as part of the contractual agreement between **the District** and the NOPD are not being submitted to **the District**.

Recommendation

The District should insist that the NOPD comply with the reporting requirements as dictated in the contractual agreement.

Management's Response

The District is fine tuning a program which will involve the Public Safety Director and **the District's** Safety Committee's plans and suggestions to bring in-house a large portion of the NOPD's accounting transactions. A complete program has been outlined and will be incorporated into the current **District/NOPD** contract.

Section III: FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

N/A*

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

Section II: The District did not receive any federal awards for the year ended December 31, 1998.

Sections I and III

Reference Number

97-1

Recommendation

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 is continuing to assemble and update its "Accounting Handbook" which is scheduled to be finalized by September 1999. The listed items above have been addressed and are waiting approval by the Executive Director and **the District's** Board.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998**

Sections, I and III, Continued

Reference Number

97-2

Recommendation

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

Current Status

As of June 1, 1999 **the District's** computers and Network have been upgraded and verified by NPC, Inc., to comply with year 2000 requirements.

Reference Number

97-3

Recommendation

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

The District enhanced its disaster recovery plan by purchasing a fire-proof file cabinet to house vital information and files necessary to re-create **the District** data if necessary. **The District** 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 file cabinet each workday.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

Sections I and III, Continued

Reference Number

97-4

Recommendation

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.

Current Status

The District continues to work toward an improved internal control system. Currently, all transactions are reviewed and approved by a minimum of three authorized managers and directors. **The District** anticipates enhanced "segregation of duties" by September 1999, when **the District** is expected to be fully staffed.

Reference Number

97-5

Recommendation

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**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

Sections I and III, Continued

Reference Number

97-5

Current Status

The District has formally written and submitted for Board approval and adoption a policy outlining dollar thresholds within which the Executive Director and Chairman may execute contracts on behalf of **the District**. See "Professional Services Contracts" Guidelines and Board meeting minutes for May 1999.

Reference Number

97-6

Recommendation

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 City of New Orleans has not responded.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

Sections I and II, Continued

Reference Number

97-7

Recommendation

We recommended that **the District** request that the City of New Orleans monitor its compliance with budgetary constraints as it relates 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. 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 with the City and **District** members.

As a result of meetings held in May and June 1999, between **the District** (Acting Executive Director and Accounting Staff) and CNO (Assistant CAO, Finance Director, and Budget Analysts), a new system has been agreed upon which:

1. Targets the 10th day of each month to mutually exchange public vouchers and warrants.
2. Establishes a new date for **the District's** annual budget reporting to coincide with the City's reporting due date.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1998

Sections I and II, Continued

Reference Number

96-1

Recommendation

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

Current Status

The City of New Orleans continues to struggle with preparing and submitting reports in a timely and accurate fashion.

As a result of meetings held in May and June 1999, between **the District** (Acting Executive Director and Accounting staff) and CNO (Assistant CAO, Finance Director, and Budget Analysts), a new system has been agreed upon which:

3. Targets the 10th day of each month to mutually exchange public vouchers and warrants.
4. Establishes a new date for **the District's** annual budget reporting to coincide with the City's reporting due date.

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

EXIT CONFERENCE

An exit conference was held on Monday, June 28, 1999 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. Jay F. Hebert	--	Acting Executive Director
Ms. Donna Gogreve	--	Administrator of Finance

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA	--	Senior Manager
Mrs. Latona Thomas	-	In-Charge Accountant



DOWNTOWN
DEVELOPMENT
DISTRICT

00 JUL 2 P12: 51

June 25, 1999

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, 1998. The plan includes the corrective action plan and the anticipated dates where applicable.

Also, included is a summary of prior audit findings along with management's response for the year ending December 31, 1997.

In all the findings attached, Ms. Donna Gogreve is the contact person.

If any further information is required, do not hesitate to contact me at (504) 561-8927.

Sincerely,

Jay F. Hebert
Acting Executive Director

JFH/cgp

Enclosures

cc: Donna Gogreve
Administrator of Finance

1998 AUDIT COMPLIANCE RESPONSES

98-1

Prior to February 1999, the Executive Director prepared and handled all budgetary and ordinance activities. Since February 1999, 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

The DDD has established a monthly policy requesting the Assessor's Office and the Department of Treasury to notify the DDD of any current taxing activity incurred on the DDD's behalf. The procedures will require these departments to take responsibility for reporting any changes by releasing an authorized confirmation form.

98-3

The DDD is fine tuning a program, which will involve the Public Safety Director, Dr. Ed Thorton, and the DDD Safety Committee's plans and suggestions to bring in-house a large portion of the NOPD's accounting transactions. A complete program has been outlined and will be incorporated into the current DDD-NOPD contract.

97-1

The DDD is continuing to assemble and update its "Accounting Handbook" which is scheduled to be finalized by September 1999. The listed items above have been addressed and are waiting approval by the Executive Director and DDD Board

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

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.

97-4

The DDD continues to work toward an improved internal control program. Currently, all transactions are reviewed and approved by a minimum of three authorized managers and directors. The DDD anticipates enhanced "segregation of duties" by September 1999, when the DDD is expected to be fully staffed.

97-5

The DDD has formally written and submitted for Board approval and adoption a policy outlining dollar thresholds within which the Executive Director and Chairman may execute contracts on behalf of the DDD. See "Professional Services Contracts" Guidelines and board meeting minutes for May 1999.

97-6

Currently, the DDD continues to request documentation of taxes assessed, billed, adjusted, and collected. The City of New Orleans has not responded.

97-7

The City of New Orleans has improved their reporting process for expenditures on NOPD and Sanitation. 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 with the City and DDD members.

As a result of meetings held in May and June 1999, between the DDD (Acting Executive Director and Accounting staff) and CNO (Assistant CAO, Finance Director, and Budget Analysts), a new system has been agreed upon which:

1. Targets the 10th day of each month to mutually exchange public vouchers and warrants
2. Establishes a new date for the DDD's annual budget reporting to coincide with the City's reporting due date

The City of New Orleans continues to struggle with preparing and submitting reports in a timely and accurate fashion.

As a result of meetings held in May and June 1999, between the DDD (Acting Executive Director and Accounting staff) and CNO (Assistant CAO, Finance Director, and Budget Analysts), a new system has been agreed upon which:

3. Targets the 10th day of each month to mutually exchange public vouchers and warrants
4. Establishes a new date for the DDD's annual budget reporting to coincide with the City's reporting due date