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

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**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** 5/17/98

**FINANCIAL AND COMPLIANCE AUDIT**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 1997**

**Bruno**

CERTIFIED PUBLIC ACCOUNTANTS

**& Tervalon**

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
COMBINED BALANCE SHEET--GOVERNMENTAL FUND TYPE AND ACCOUNT GROUPS--DECEMBER 31, 1997 .....	3
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED DECEMBER 31, 1997 .....	5
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET AND ACTUAL--GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 1997 .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7
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 .....	28
SCHEDULE OF REPORTABLE CONDITIONS .....	31

TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 1997 .....	40
SCHEDULE OF PRIOR YEAR'S FINDING .....	48
STATUS OF PRIOR YEAR'S COMMENT .....	49
EXIT CONFERENCE .....	50

**& Tervalon**

MICHAEL B. BRUNO, CPA  
ALCIDE J. TERVALON, JR., CPA  
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT

To the Audit Committee  
**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, 1997, 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.

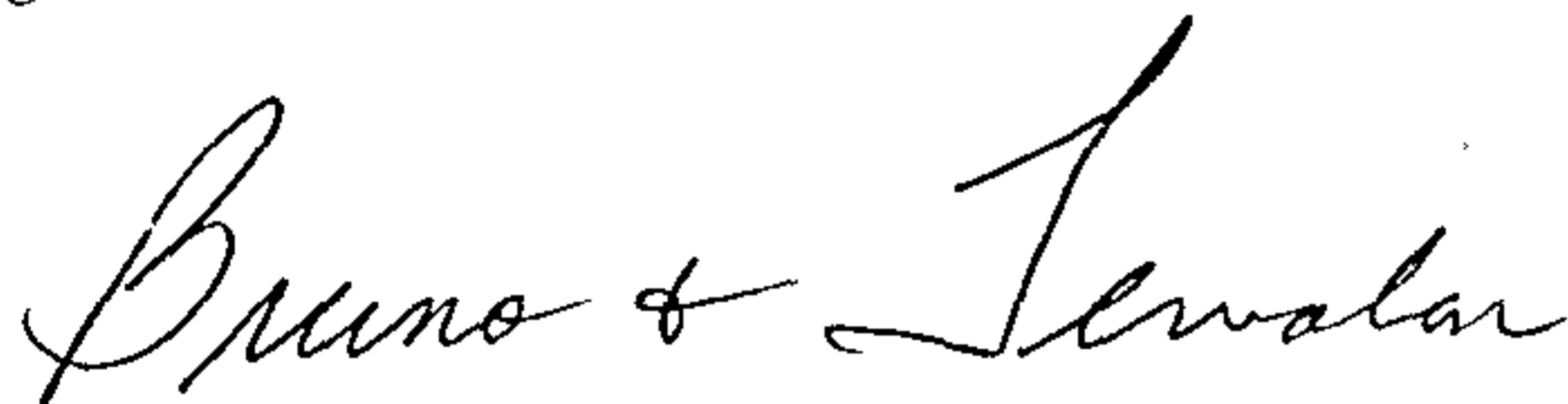
We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable 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, 1997, 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  
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 April 14, 1998 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS

April 14, 1998

**THE DOWNTOWN DEVELOPMENT DISTRICT**  
**OF**  
**THE CITY OF NEW ORLEANS**  
**COMBINED BALANCE SHEET--GOVERNMENTAL**  
**FUND TYPE AND ACCOUNT GROUPS**  
**DECEMBER 31, 1997**

	<u>GOVERNMENTAL</u>		<u>ACCOUNT GROUPS</u>			Total (Memorandum Only)
	<u>FUND TYPE</u>	<u>Capital</u>	<u>General</u>	<u>Fixed</u>	<u>Long-term</u>	
	<u>General</u>	<u>Projects</u>	<u>Assets</u>	<u>Debt</u>		
<b>ASSETS AND OTHER DEBT</b>						
Cash:						
Cash and temporary cash investments	\$ 251,059	\$-0-	\$ -0-	\$ -0-	\$ -0-	\$ 251,059
Held by Board of Liquidation, City Debt (NOTE 2)	226,169	-0-	-0-	-0-	-0-	226,169
Held by City of New Orleans (NOTES 4 and 8)	374,839	-0-	-0-	-0-	-0-	374,839
Investments held by Board of Liquidation, City Debt-at cost (NOTE 2)	3,794,000	-0-	-0-	-0-	-0-	3,794,000
Receivables:						
Ad valorem taxes (net of allowance for uncollectible taxes \$213,877 (NOTES 4 & 8))	654,785	-0-	-0-	-0-	-0-	654,785
Accrued interest (NOTE 2)	72,870	-0-	-0-	-0-	-0-	72,870
Prepaid expenses	23,350	-0-	-0-	-0-	-0-	23,350
Amount to be provided for retirement of general long-term debt	-0-	-0-	-0-	20,556	20,556	20,556
Fixed assets (NOTE 6)	-0-	-0-	<u>710,745</u>	<u>-0-</u>	<u>-0-</u>	<u>710,745</u>
Total assets and other debt	<u>\$5,397,072</u>	<u>\$-0-</u>	<u>\$710,745</u>	<u>\$20,556</u>	<u>\$6,128,373</u>	<u>\$6,128,373</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 TYPE AND ACCOUNT GROUPS, CONTINUED  
DECEMBER 31, 1997

	GOVERNMENTAL FUND TYPE		ACCOUNT GROUP			Total (Memorandum Only)
	General	Capital Projects	General Fixed Assets	General Long-term Debt		
<u>LIABILITIES</u>						
Accounts payable-trade	\$ 21,350	\$-0-	\$ -0-	\$ -0-	\$ 21,350	
Due to the City of New Orleans, net (NOTE 7)	986,464	-0-	-0-	-0-	986,464	
Deferred revenue (NOTES 4 and 8)	374,839	-0-	-0-	-0-	374,839	
Compensated absences payable	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>20,556</u>	<u>20,556</u>	
Total liabilities	<u>1,382,653</u>	<u>-0-</u>	<u>-0-</u>	<u>20,556</u>	<u>1,403,209</u>	
<u>FUND EQUITY</u>						
Investment in general fixed assets	-0-	-0-	710,745	-0-	710,745	
Fund balances:						
Reserved for capital and maintenance projects (NOTE 11)	28,765	-0-	-0-	-0-	28,765	
Designated for subsequent year's expenditures (NOTE 9)	3,500,000	-0-	-0-	-0-	3,500,000	
Undesignated	<u>485,654</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>485,654</u>	
Total fund balances	<u>4,014,419</u>	<u>-0-</u>	<u>710,745</u>	<u>-0-</u>	<u>4,725,164</u>	
Total fund equity	<u>4,014,419</u>	<u>-0-</u>	<u>710,745</u>	<u>-0-</u>	<u>4,725,164</u>	
Total liabilities and fund equity	<u>\$5,397,072</u>	<u>\$-0-</u>	<u>\$710,745</u>	<u>\$20,556</u>	<u>\$6,128,373</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, 1997

	<u>GOVERNMENTAL FUND TYPES</u>		Total (Memorandum Only)
	<u>General</u>	<u>Capital Projects</u>	
Revenues:			
Ad valorem taxes (net of provision for uncollectible delinquent taxes of \$213,877)	\$3,710,137	\$ -0-	\$3,710,137
Interest on delinquent taxes	792	-0-	792
Interest on investments	480,082	-0-	480,082
Interest on cash and temporary cash investments	<u>4,047</u>	<u>-0-</u>	<u>4,047</u>
Total revenues	<u>4,195,058</u>	<u>-0-</u>	<u>4,195,058</u>
Expenditures:			
Administration	823,460	-0-	823,460
Planning/promotions	585,942	-0-	585,942
Special programs/projects	1,221,400	-0-	1,221,400
Capital projects	392,025	14,272	406,297
Maintenance	<u>1,092,261</u>	<u>-0-</u>	<u>1,092,261</u>
Total expenditures	<u>4,115,088</u>	<u>14,272</u>	<u>4,129,360</u>
Excess (deficiency) of revenues over expenditures	<u>79,970</u>	<u>(14,272)</u>	<u>65,698</u>
Other financing sources (uses):			
Transfers from City of New Orleans	<u>-0-</u>	<u>14,272</u>	<u>14,272</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>79,970</u>	<u>-0-</u>	<u>79,970</u>
Fund Balance:			
Beginning of year	<u>3,934,449</u>	<u>-0-</u>	<u>3,934,449</u>
End of year	<u>\$4,014,419</u>	<u>\$ -0-</u>	<u>\$4,014,419</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, 1997

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	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues:			
Ad valorem taxes (net of provision for uncollectible delinquent taxes of \$213,877)	\$3,600,000	\$3,710,137	\$ 110,137
Interest on delinquent taxes	-0-	792	792
Interest on investments	100,000	480,082	380,082
Interest on cash and temporary cash investments	<u>-0-</u>	<u>4,047</u>	<u>4,047</u>
Total revenues	<u>3,700,000</u>	<u>4,195,058</u>	<u>495,058</u>
Expenditures:			
Administration	840,000	823,460	16,540
Planning/promotions	370,000	585,942	(215,942)
Special programs/projects	1,240,000	1,221,400	18,600
Capital projects	200,000	392,025	(192,025)
Maintenance	<u>1,050,000</u>	<u>1,092,261</u>	<u>(42,261)</u>
Total expenditures	<u>3,700,000</u>	<u>4,115,088</u>	<u>(415,088)</u>
Excess of revenues over expenditures	-0-	79,970	79,970
Fund balance:			
Beginning of year	<u>-0-</u>	<u>3,934,449</u>	<u>3,934,449</u>
End of year	<u>\$ -0-</u>	<u>\$4,014,419</u>	<u>\$4,014,419</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**

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NOTE 1 - Summary of Significant Accounting Policies:

Background

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

The point of beginning shall be at the intersection of the east bank of the Mississippi River and the Mississippi River Bridge approaches and Pontchartrain Expressway; thence continuing along the upper line of the Pontchartrain Express right-of-way less and except ramp areas, and in a northwesterly direction to the lake side right-of-way line of Claiborne Avenue; thence northeasterly along the lake side of said right-of-way line 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 the Mississippi River; thence continuing along 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 Legislative effective July 10, 1978, changed the name of the District to **The Downtown Development District of the City of New Orleans.**

Acts 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

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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 fiscal 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

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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

This group of accounts 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 Fund

The general long-term debt fund 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 reporting 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

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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, 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 of Liquidation, City Debt (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** costs of that project.

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

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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, 1975. Relevant portions of those procedures are:

- o 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**.
- o 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.
- o 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 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

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NOTE 1 - Summary of Significant Accounting Policies, Continued:

- o 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.
- o 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.
- o **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.

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

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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 used 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 Group of Accounts. 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 concerned only with the measurement of financial position. It is not involved with measurement of results of operations.

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

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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 financial sources 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.

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

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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 funds 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 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.

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

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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 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 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 1997, 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 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

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NOTE 2 - Investments, Continued:

At December 31, 1997, the Board as fiscal agent of the **District** held on their behalf, cash in the amount of \$226,169 and securities consisting of certificates of deposit as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Certificate of Deposit	5.53%	01/22/98	\$ 455,000	\$ 455,000
Certificate of Deposit	5.51	02/12/98	1,394,000	1,394,000
Certificate of Deposit	5.42	02/19/98	880,000	880,000
Certificate of Deposit	5.49	03/12/98	25,000	25,000
Certificate of Deposit	5.48	03/05/98	690,000	690,000
Certificate of Deposit	5.35	01/29/98	115,000	115,000
Certificate of Deposit	5.34	03/05/98	25,000	25,000
Certificate of Deposit	5.45	03/12/98	200,000	200,000
Certificate of Deposit	5.00	01/07/98	<u>10,000</u>	<u>10,000</u>
			<u>\$3,794,000</u>	<u>\$3,794,000</u>

The above investments at December 31, 1997 are either covered by Federal Deposit Insurance 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, 1997 on the above investments was \$72,870.

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, 1997 the carrying amount of the **District's** deposits was \$852,067 and the bank balance was \$1,083,267.

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

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NOTE 4 - Real Estate Escrow Fund:

Certain property owners made tax payments under protest which had not been resolved at December 31, 1997 in the amount of \$256,969.

As of December 31, 1997, these funds are held in escrow by the City of New Orleans .

NOTE 5 - Property Taxes:

In 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,

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 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**.

**The District** levied 15.9 mills on real property within its area for 1997. Taxes on real property are levied on January 1, and payable on January 1, and are delinquent February 1. Property taxes levied for 1997, collected during 1997, or expected to be collected in 1997 are recognized as revenues in 1997. Taxes levied for 1998 but collected in 1997 are reflected as deferred revenues. (See NOTES 4 and 8)

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

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NOTE 5 - Property Taxes, Continued:

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 to the account of the **District**.

NOTE 6 - Fixed Assets:

A summary of changes in general fixed assets follows:

	Balance <u>January 1, 1997</u>	<u>Additions</u>	<u>Other Changes</u>	Balance <u>December 31, 1997</u>
Motor vehicle	\$ 13,552	\$ -0-	\$ -0-	\$ 13,552
Office equipment	67,858	34,987	(24,416)	78,429
Office furniture	79,430	2,743	(39,245)	42,928
Promotional equipment	7,990	-0-	384,485	392,475
Public works	<u>154,653</u>	<u>73,300</u>	<u>(44,592)</u>	<u>183,361</u>
	<u>\$323,483</u>	<u>\$111,030</u>	<u>\$276,232</u>	<u>\$710,745</u>

During the current year, the **District** undertook a physical inventory of all fixed assets. The count resulted in the recordation of adjustments classified as *other changes* in the financial statements to properly state fixed assets as of December 31, 1997.

In addition, promotional equipment items previously expensed by the **District** were capitalized in the current year based on the **District's** established capitalization policy.

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

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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, 1997 reflect the net of various transactions. Details are as follows:

Advance and reimbursements due to <b>the District</b> for 1997 expenditures	\$ 557,234
Amounts due to the City of New Orleans for fourth quarter expenditures and to maintain advance	<u>(1,543,698)</u>
Net due to the City of New Orleans	\$ <u>(986,464)</u>

NOTE 8 - Deferred Revenues:

Ad valorem taxes of \$117,870 levied for 1998 and collected in 1997 are reflected as deferred revenue at December 31, 1997. (See NOTE 5). In addition, deferred revenues include \$256,969 in taxes paid under protest.

NOTE 9 - Designated Fund Balance:

A portion of the fund balance in the amount of \$3,500,000 has been designated for subsequent year's expenditures (totalling \$7,200,000) as per the 1998 approved annual plan.



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

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NOTE 9 - Designated Fund Balance, Continued:

A detail of the expenditures is as follows:

<u>Description</u>	<u>Amount</u>
Public Safety:	
NOPD Services	\$ 800,000
"Street Smart" Campaign	200,000
Public Safety Consultant Services	<u>25,000</u>
	<u>1,025,000</u>
Public Spaces:	
Sidewalk Cleaning Services	850,000
Sanitation Services	350,000
Square 26 Park Construction	1,200,000
Sidewalk Tree Maintenance Service	<u>200,000</u>
	<u>2,600,000</u>
Canal Street:	
Storefront Guidelines/Maintenance Standards	50,000
Roll-Down Doors Amortization	100,000
Monumentation Plan	25,000
Upper-Stories Residential	<u>25,000</u>
	<u>200,000</u>
Sub-total	<u>\$3,825,000</u>

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

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NOTE 9 - Designated Fund Balance, Continued:

<u>Description</u>	<u>Amount</u>
Unique Environment:	
Sidewalk Improvements	\$1,300,000
Medical District Improvements	75,000
CBD/HDLC Ratings Map	10,000
Retail Marketing	<u>325,000</u>
	<u>1,710,000</u>
Other:	
Administration	840,000
Childcare	200,000
Promotions	150,000
Innovation Center	25,000
Planning	125,000
NORMC	40,000
Summer Youth Program	30,000
Reserves/Contingency	<u>255,000</u>
Total expenditures	<u>\$7,200,000</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

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

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

Retirement Plan, Continued

year of service. The Plan's effective date was January 1, 1993 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 72-1241070. **The District's** contribution to the Plan in 1997 was \$18,970 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, 1997 was \$434,947.

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 1997 were \$14,923.

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

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NOTE 11 - Commitments and Contingencies:

Service Contracts

The District had services provided or to be provided at December 31, 1997 under various contractual arrangements that are to be financed in 1998 in the amount of \$28,765. These amounts are included in the 1998 plan designated fund balance for capital and maintenance contracts.

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 the 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 leased its offices at 601 Poydras Street for a sixty-two (62) month 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 Ending</u>	<u>Office Space</u>	<u>Office Equipment</u>	<u>Total</u>
1998	\$ 65,624	\$3,452	\$ 69,076
1999	65,624	3,452	69,076
2000	<u>41,015</u>	<u>1,726</u>	<u>42,741</u>
Totals	<u>\$172,263</u>	<u>\$8,630</u>	<u>\$180,893</u>

The total rent under the above leases were \$70,403 during 1997. 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, 1997 can be issued in the future when needed.

NOTE 12 - 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.

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

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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 18 of the 1997 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 facilitate the installation of new brick sidewalks in the Central Business District of New Orleans. **The District** anticipates the use of approximately \$1,000,000 of its funds in 1998 to augment the appropriation.

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

**The District's** 1998 plan in the amount of \$7,200,000 has been submitted to and approved by the City Council of New Orleans.

NOTE 16 - Concentration of Credit Risk:

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

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 and  
the Board of Commissioners

We have audited the financial statements of **Downtown Development District of the City of New Orleans (the District)** as of and for the year ended December 31, 1997, and have issued our report thereon dated April 14, 1998. 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 a 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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**

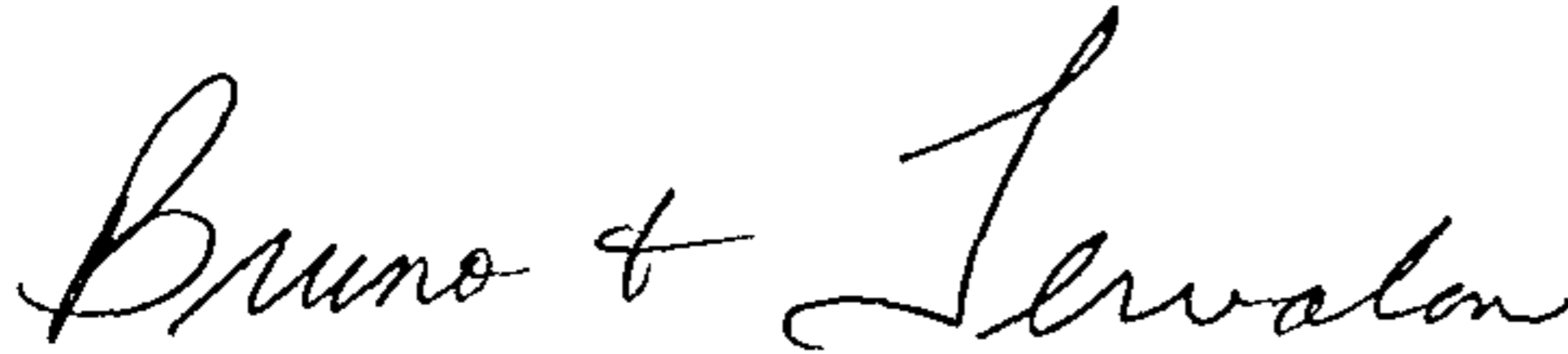
In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. 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 reportable conditions.

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 is a material weakness.



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

This report is intended for the information of the audit committee, Board of Commissioners, management, the City of New Orleans and State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

April 14, 1998

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS**

---

o DEVELOPMENT OF AN ACCOUNTING POLICIES AND PROCEDURES MANUAL

Condition

Currently, **the District** uses a combination of established practices and written memoranda to communicate policies and procedures.

Recommendation

We recommend 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 procedures over disbursements.

Management's Response

Prior to the 1997 audit, capitalization, leasing, expense classification, and checking policies followed written procedures outlined in a report maintained by Bourgeois Bennett, LLP. This report was updated annually.

Currently, **the District** is assembling and updating a policy manual for all accounting transactions.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o YEAR 2000 COMPLIANCE

Condition

The approach of the year 2000 presents significant issues for many financial, information, and operational systems. Many systems in use today may not be able to interpret dates after December 31, 1999 approximately, because such systems allow only two digits to indicate the year in a date. As a result, such systems are unable to distinguish January 1, 1900, which could have adverse consequences on the operations of **the District** and the integrity of information processing, causing safety, operational, and financial issues.

Our audit of **the District's** financial statements for the year ended December 31, 1997, does not provide any assurances that **the District's** systems are year 2000 compliant. In addition, we were not engaged to perform, nor did we perform, any procedures to test whether **the District's** systems are year 2000 compliant or whether the plans and activities of **the District** are sufficient to address and correct the system or any other problems that might arise because of the year 2000. Accordingly, we do not express any opinion nor provide any other assurances regarding the year 2000.

Recommendation

We recommend that management insure that **the District's** systems are year 2000 compliant.

Management's Response

Champion Version 7.1 has 2000 compliance issues addressed and has been released to champion users including **the District**. Effective May 15, 1998, **the District** has upgraded it's system with year 2000 compliance software.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o DISASTER RECOVERY PLAN

Condition

Currently, **the District** does not have a disaster recovery plan for all of its documents/files (computerized and manual). On an annual basis, **the District** performs a "backup" of its accounting records. The "backup" disks are then sent to an offsite storage facility.

Recommendation

We recommend that management evaluate the above condition. 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.

Management's Response

A disaster recovery plan is being implemented (with modifications to follow). Currently, all financial activity is backed-up semi-monthly to diskettes (one copy is stored off site). In addition, all networking activity performed at **the District** is backed up every Wednesday and Friday to a tape drive. All software and backups are stored and locked in a fire-proof file cabinet.

Documentation on **the District** minutes, insurance policies, and major contracts are being assembled and prepared for filing in the fire-proof cabinet.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o SEGREGATION OF DUTIES

Condition

Our review of **the District's** internal control structure revealed that the accounting manager who prepares checks, cash receipts, accounts payable and the general ledger is also assigned the responsibility of reconciling all bank accounts.

There exists a lack of segregation of duties and access control. This control, if available, helps prevent intentional or unintentional errors by denying any single employee access to an entire transaction stream.

Recommendation

We recommend that management evaluate the current system to ensure the proper segregation of duties. Such a process should also consider the establishment of offsetting controls to minimize the potential exposure previously discussed.

Management's Response

Although "segregation of duties" are limited, **the District** maintains internal control over all transactions by requiring three signatures on all documentation, reconciliations, and financial reporting. Signatures are required from a Project Director/Project Manager, Office Manager, and the Executive Director (or Board member).

**The District's** "segregation of duties" policy will be enhanced and more specific with the addition of three positions being filled. Specific to bank reconciliations, the Operations and Planning Director will be assigned responsibility.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o **DEVELOPMENT OF A FORMAL PROCUREMENT POLICY**

Condition

Currently, **the District** has no established formal dollar threshold for the execution of contracts and contract extensions.

Our review indicates that generally most services subjected to bidding are submitted to the Board for approval. In addition, some contracts and extensions are executed by either the Chairman of the Board or the Executive Director.

Recommendation

*We recommend 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 designee.*

Management's Response

A formal policy is in-progress and specifically will address dollar values and ceilings for different levels of authorization, including Board approval and Board ratification.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o RECONCILIATION OF TAXES RECEIVABLE AMOUNTS

Condition

We noted differences in the amount of ad valorem taxes receivable as reflected on the books and records of **the District** to the amounts confirmed to us by the City of New Orleans.

For instance, the amount of taxes collected and received for the 1993 tax year exceeded the taxes receivable at December 31, 1997 confirmed by the City of New Orleans. The City of New Orleans reflects a receivable balance of \$13,862 at December 31, 1997. The accounting records of **the District** indicate a credit balance of \$46,758 (in essence an overpayment) as of year end. Differences are noted for other tax years as well.

Based on discussion with management, it is our understanding that **the District's** records are in agreement with the information maintained by the Board of Liquidation, City Debt.

We attempted through various contacts with the City of New Orleans to resolve these differences but to no avail.

Recommendation

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

Management's Response

Currently, **the District** does not receive any documentation on taxes assessed and billed taxes collected, tax adjustments or tax reclassifications (i.e. protested taxes) directly from the City.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o RECONCILIATION OF TAXES RECEIVABLE AMOUNTS, CONTINUED

Management's Response, Continued

The Board of Liquidation (BOL) notifies **the District** weekly on taxes reported to them by the City. Based on these notifications, **the District** monitors and reconciles taxes collected by the City, on its behalf with the BOL records.

**The District** notes, for financial reporting purposes, that the City reports taxes to BOL approximately 20-25 days after the City collects and deposits the funds.



**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o OVER BUDGETED ITEMS

Condition

The 1997 annual plan for **the District** approved on December 30, 1996 reflects a budget of \$800,000 and \$350,000 for the provisions of supplementary services by the New Orleans Police and Sanitation Departments, respectively.

However, at December 31, 1997 both budgetary line items reflect over budgeted amounts as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Police services	\$ 800,000	\$ 876,950	\$76,950
Sanitation services	<u>350,000</u>	<u>358,708</u>	<u>8,708</u>
Total	<u>\$1,150,000</u>	<u>\$1,235,658</u>	<u>\$85,658</u>

The financial statements for **the District** as presented reflect costs recorded up to the budgeted authorization.

Recommendation

We recommend that the City of New Orleans continue to monitor its compliance with budgetary constraints. In addition, the timely submission of financial information by the City to **the District** should facilitate the identification of potential overrun to ensure its timely resolve.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED**

---

o **OVER BUDGETED ITEMS, CONTINUED**

Management's Response

**The District** has requested expense and encumbrance reports from the City on an accurate and timely basis, but to no avail.

**The District** notes difficulty in monitoring and reconciling the City's spending activity, on behalf of **the District** Police and Sanitation services for the following reasons:

1. The City prepares and submits warrants to **the District** for payment approximately 5-6 months after costs and encumbrances are incurred.
2. The City prepares and submits warrants that contain multiple math errors and inaccurate data.
3. After **the District** returns the adjusted warrants for corrections, the City is slow in re-submitting the corrected warrant for payment, thus resulting in overages and possible misstatements in "actual reserves" reported and held for **the District**.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 1997**

---

We have audited the 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, 1997 and have issued our report thereon dated April 14, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits outlined in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our audit of the financial statements as of December 31, 1997 resulted in an unqualified opinion.

**SUMMARY OF AUDITORS' REPORTS**

**Section 1: Report on Internal Control and Compliance  
Material to the Financial Statements**

**Internal Control:**

Material Weaknesses Yes \_\_\_ No x Reportable Conditions Yes x No \_\_\_

**Compliance:**

Compliance Material to Financial Statements Yes \_\_\_ No x

**Federal Awards**

**Internal Control:**

Material Weaknesses N/A\* Reportable Conditions N/A\*

**Type of Opinion on Compliance:**

For Major Programs: N/A\*

\*N/A - Non-applicable

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997

---

**Federal Awards, Continued**

Are there findings required to be reported in accordance with Circular A-133, Section .5109a)?

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\*

**Reportable Conditions**

**Section II: Financial Statement Findings**  
97-1

**Condition**

o **Development of an Accounting Policies and Procedures Manual**

**Recommendation**

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

**Management's Response**

Currently, the District is assembling and updating a policy manual for all accounting transactions.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997**

---

**Federal Awards, Continued**

Reportable Conditions

**Section II: Financial Statement Findings, Continued  
97-2**

Condition

o **Year 2000 Compliance**

Recommendation

We recommend that management insure that **the District's** system are year 2000 compliant.

Management's Response

Effective May 15, 1998, **the District** has upgraded it's systems with year 2000 compliance software.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997**

---

**Federal Awards, Continued**

Reportable Conditions

**Section II: Financial Statement Findings, Continued  
97-3**

Condition

**o Disaster Recovery Plan**

Recommendation

*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.*

Management's Response

A disaster recovery plan is being implemented.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997

---

**Federal Awards, Continued**

Reportable Conditions

**Section II: Financial Statement Findings, Continued**  
97-4

Condition

o **Segregation of Duties**

Recommendation

The proper segregation of duties.

Management's Response

**The District's "segregation of duties" policy will be enhanced and more specific with the addition of three positions being filled.**

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997

---

**Federal Awards, Continued**

Reportable Conditions

**Section II: Financial Statement Findings, Continued**  
97-5

Condition

o **Development Of A Formal Procurement Policy**

Recommendation

We recommend 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**.

Management's Response

A formal policy is in-progress and specifically will address dollar values and ceilings for different levels of authorization, including Board approval and Board ratification.



**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997

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**Federal Awards, Continued**

Reportable Conditions

**Section II: Financial Statement Findings, Continued**  
97-6

Condition

o **Reconciliation of Taxes Receivable Amounts**

Recommendation

We recommend that the City of New Orleans provide the District with information to facilitate the reconciliation of the differences in taxes receivable.

Management's Response

Currently, the District does not receive any documentation on taxes assessed, billed taxes collected, tax adjustments or tax reclassifications (i.e. protested taxes) directly from the City.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1997

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**Federal Awards, Continued**

Reportable Conditions

**Section II: Financial Statement Findings, Continued**  
97-7

Condition

o **Over Budgeted Items**

Recommendation

We recommend that the City of New Orleans continue to monitor its compliance with budgetary constraints.

Management's Response

**The District** has requested expense and encumbrance reports from the City on an accurate and timely basis, but to no avail.

**THE DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
SCHEDULE OF PRIOR YEAR'S FINDING  
FOR THE YEAR ENDED DECEMBER 31, 1997**

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**Sections I & II:**

There were no prior year audit findings resulting from internal control and compliance audit material both to the financial statements and federal awards.

**Section III:**

Management letter

Condition

96-1 Untimely receipt of external reports from the City of New Orleans.

Management's Response

**The District** continues to experience the same problem with the City of New Orleans. See current management comments.

**DOWNTOWN DEVELOPMENT DISTRICT  
OF  
THE CITY OF NEW ORLEANS  
STATUS OF PRIOR YEAR'S COMMENT**

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<u>Description</u>	<u>-----STATUS-----</u>		
	<u>In Progress</u>	<u>Resolved</u>	<u>Unresolved</u>
Timely receipt of external reports From the City of New Orleans			X

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

**EXIT CONFERENCE**

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*An exit conference was held on Tuesday, June 16, 1998 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. J. Randolph Gregson, II	--	Executive Director
Ms. Donna Gogreve	--	Accounting Manager

**BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS**

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