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

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2003

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

Release Date 8/18/04

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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 financial statements of the governmental activities, each major fund, and the remaining fund information of **The Downtown Development District of the City of New Orleans (the District)**, a component unit of the City of New Orleans as of and for the year ended December 31, 2003, which collectively comprise **the District's** basic financial statements as listed in the Table of Contents. These statements are the responsibility of **the District's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 statements presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the remaining fund information of **the District**, as of December 31, 2003, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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 June 4, 2004, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, this report contained an instance of noncompliance and reportable conditions.

The Management's Discussion and Analysis at pages 3 through 8 and the Budgetary Comparison Information on page 49, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The other supplementary information identified as Exhibits A, B, C and D is presented for purposes of additional analysis and is not a required part of the accompanying financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 4, 2004

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

This report offers readers of these financial statements an overview and analysis of the financial activities of **The Downtown Development District of the City of New Orleans (the District)**. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in **the District's** financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

FINANCIAL HIGHLIGHTS

Assets of **the District** trailed its liabilities at the close of the most recent fiscal year by \$1,479,916 as outlined on the statement of net assets (deficit).

The District's total net assets decreased by another \$39,307 during 2003 or \$2,483,207 over a two year period. The decrease in net assets was primarily because expenses incurred for Canal Street and District-Wide improvements of \$271,301 in 2003 and \$1,536,180 in 2002, did not have designated tax revenues to absorb the costs. A significant portion of the Canal Street and District-Wide improvements are funded through bond proceeds.

Also, the decrease in net assets was significantly impacted by a decrease in the district-wide property tax roll re-assessments during 2003, which reflects a downward trend by 6.0% from January 1, 2003, to December 31, 2003. A 7.59% drop was also noted from 2002 re-assessments (\$5,314,444 in 2002 to \$4,910,926 in 2003).

An increase in gross receipts from charges for certain services of \$164,655 in 2003 was not sufficient to recover the lost tax revenues. In addition, state funding from the hotel/motel taxes revenue stream of \$292,315 directly offset like expenses for the Hospitality Ranger Program. In comparison to 2002, receipts from charges decreased by \$66,988 due primarily to the cancellation of **the District's** annual luncheon and the fact that **the District** did not host the International Downtown Association conference in 2003.

As of the close of the current fiscal year, **the District's** governmental funds reported combined ending fund balances of \$5,119,496, a decrease of \$61,894 in comparison with 2002. Of the total fund balances, \$5,119,496 is designated for current and future projects.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

OVERVIEW OF THE FINANCIAL STATEMENTS

The District's management believes that GASB 34 financial statements provide useful information because these statements show not only the short-term results of operations (How much did fund balance change this year? How much is available to spend?) but also the long-term financial picture (How much has been spent on assets that will provide benefits in future years? What long-term financial commitments have been made?).

Government-Wide Financial Statements

The government-wide financial statements on pages 9 through 11 are designed to be similar to private-sector business. These statements for the second time, combined **the District's** current financial resources with capital assets and long-term obligations.

The Statement of Net Assets (Deficit) on pages 9 and 10 presents information of all **the District's** assets and liabilities, with the difference between the two reported as a net assets (deficit). Over time, changes in net assets may serve as a useful indicator of whether the financial position of **the District** is improving or declining.

The Statement of Activities on page 11 presents information showing how **the District's** assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected taxes and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by **the District's** ad valorem taxes and other revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

The governmental activities reflect **the District's** basic services including public spaces maintenance (sanitation, emergency alert, way finding, maintenance, and beautification), public safety (law enforcement, homelessness and code enforcement/quality of life), hospitality (pedestrian and tourism information, convention guides, public safety assistance and economic impact), marketing (special events, advertising, public relations, communications), economic development (revitalization, business retention and real estate GIS) and capital improvements (pedestrian signage, sidewalk replacement, facade improvement and transportation).

These services are financed primarily with property tax assessments and bonding(debt services) activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. **The District's** governmental funds on pages 12 and 14 are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and accounting principles generally accepted in the United States of America.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating **the District's** current financing requirements.

The District has presented the general and the debt service funds as major funds. The other governmental fund is the blended component unit of **the District**

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

The governmental funds total column requires reconciliation because of the different measurement focus, which is reflected on the page following each statement (see pages 13 and 15). The flow of current financial resources will reflect bond proceeds and interfund transfers as other financing sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation eliminates these transactions and incorporates the capital assets and long-term obligations into the government-wide statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 16 through 48 of the accompanying audit report.

Other Information

Required supplementary information can be found in pages 3 through 8 and pages 49 through 55 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the audited financial statements.

Capital assets decreased to \$177,822 in 2003 from \$225,217 in 2002 due to the effect of depreciation expense. **The District** uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Financial Analysis of the District's Funds

As noted earlier, **the District** uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of **the District's** governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing **the District's** financing requirements. In particular, unreserved fund balance may serve as a useful measure of **the District's** net resources available for spending at the end of the fiscal year.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

As of the end of the current fiscal year, **the District's** governmental funds reported combined ending fund balances of \$5,119,496, a decrease in comparison with the prior year of \$5,181,390. Of the total fund balances of \$5,119,496 for 2003 and \$5,181,390 for 2002, \$5,119,496 and \$4,977,635 respectively of the balances are reserved to indicate that it is not available for new spending because it has already been committed to : (1) liquidation of contracts and purchase orders of the prior period, (2) payment of debt service, and (3) legal appropriations in the 2004 operating budget.

General Fund Budgetary Highlights

The major difference between the original general fund budget and the final amended budget, dated September 9, 2003 was an increase in ad valorem tax revenue which resulted from proactive collection activities by the City of New Orleans for districts one and two. For 2002, **the District** recorded a decrease in tax revenue.

Enabling Legislation requires that **the District** revise appropriations downward during any given fiscal year if it ascertains that there will not be sufficient funds to meet total appropriations for any special taxing districts. Due to the cut-back in spending, the general fund was able to reduce expenditures to maintain fund balance.

Material differences between actual results and budgetary amounts in the general fund are as follows:

1. Revenue sources increased because of increased collection efforts by the City of New Orleans.
2. The turnover rate in the hospitality rangers staff coupled with the conservative budgeted amount resulted in earning of \$292,315 of the budgeted revenue of \$400,000.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF THE
CITY OF NEW ORLEANS
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Capital Asset and Debt Administration

At December 31, 2003 and 2002, **the District** had \$177,822 and \$225,217 respectively, invested in capital assets, net of accumulated depreciation consisting principally of equipment. See page 34 for detail composition of capital assets.

Long Term Debt

At December 31, 2003, **the District** had total bonded debt outstanding of \$7,065,000 compared with \$7,225,000 at December 31, 2002.

Economic Factors and Net Year's Budget and Rates

We believe **the District** will show minimum growth because of general uncertainties that are present in the global and national economics at this time, we believe that **the District** would be prudent in projecting minimum growth in property tax revenues for 2004.

Significant Events

The Board of Commissioners for **the District** adopted a resolution to amend, restate and replace a cooperative endeavor agreement with the City of New Orleans and Canal Street Development Corporation whereas **the District** has committed to fund approximately \$275,000, from funds on hand and to be responsible, on a proportional basis, for certain amounts of the debt service on a revenue bond issue approved by the City Council in an amount not exceed \$12,000,000.

Of this amount, **the District's** portion will not exceed \$2,000,000.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
STATEMENT OF NET ASSETS (DEFICIT)
DECEMBER 31, 2003**

ASSETS

Current Assets:

Unrestricted:

Cash and temporary cash investments (NOTES 3 AND 4)	\$ 995,527
Investments (NOTE 2)	4,652,355
Ad valorem taxes receivable, net (NOTES 4, 5 AND 8)	261,900
Amounts receivable (NOTE 24)	102,595
Prepaid expenses and other assets	17,735
Interest receivable (NOTE 2)	16,924
Deferred charges (NOTE 20)	<u>3,125</u>

Total unrestricted current assets 6,050,161

Restricted:

Temporarily restricted:

Cash and temporary cash investments (NOTES 3 AND 16)	<u>273,869</u>
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Total restricted current assets 273,869

Total current assets 6,324,030

Noncurrent Assets:

Capital assets, net (NOTE 6)	177,822
Deferred charges (NOTE 20)	<u>67,283</u>

Total noncurrent assets 245,105

Total assets 6,569,135

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

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
STATEMENT OF NET ASSETS (DEFICIT), CONTINUED
DECEMBER 31, 2003**

LIABILITIES

Current Liabilities:

Accounts and current liabilities	\$ 108,199
Deferred revenues (NOTES 5 AND 8)	711,113
Compensated absences payable (NOTE 18)	55,121
Capital leases payable (NOTES 11 AND 18)	5,815
Bonds payable (NOTES 16 AND 18)	170,000
Due to primary government (NOTE 7)	<u>103,803</u>

Total current liabilities	<u>1,154,051</u>
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Noncurrent liabilities :

Bonds payable (NOTES 16 AND 18)	<u>6,895,000</u>
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Total noncurrent liabilities	<u>6,895,000</u>
------------------------------	------------------

Total liabilities	<u>8,049,051</u>
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NET ASSETS (DEFICIT)

Invested in capital assets, net	177,822
Restricted for:	
Debt service (NOTES 3 AND 16)	273,869
Unrestricted	<u>(1,931,607)</u>
Total net assets (deficit)	<u>\$(1,479,916)</u>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Functions</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>
Administration	\$1,209,542	\$ -0-	\$ -0-	\$(1,209,542)
Marketing and promotions	196,181	164,655	-0-	(31,526)
Operations	1,502,199	-0-	-0-	(1,502,199)
Public safety	1,054,251	-0-	378,615	(675,636)
Special projects	86,800	-0-	-0-	(86,800)
Economic development	179,687	-0-	-0-	(179,687)
Canal/District-Wide	271,301	-0-	-0-	(271,301)
Interest on long-term debt	<u>381,838</u>	<u>-0-</u>	<u>-0-</u>	<u>(381,838)</u>
Total activities	<u>\$4,881,799</u>	<u>\$164,655</u>	<u>\$378,615</u>	<u>(4,338,529)</u>
General Revenues:				
Ad valorem taxes (NOTES 22 AND 23)				4,813,931
Interest on delinquent taxes				9,172
Interest on Ad Valorem tax investments				24,687
Interest on bond investments				60,795
Interest on bank accounts				7,093
Other				<u>1,002</u>
Total general revenues				<u>4,916,680</u>
Change in net assets				<u>578,151</u>
Net assets, beginning of year				(1,440,609)
Adjustment to net assets (deficit), beginning of year (NOTE 22)				<u>(617,458)</u>
Net assets (deficit), beginning of year, as restated				<u>(2,058,067)</u>
Net assets (deficit), end of year				<u>\$ (1,479,916)</u>

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

FUND FINANCIAL STATEMENTS

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
BALANCE SHEET--GOVERNMENTAL FUNDS
DECEMBER 31, 2003**

<u>ASSETS</u>				
	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Cash:				
Cash and temporary cash investments	\$ 700,869	\$ -0-	\$ 7,937	\$ 708,806
Held by the Board of Liquidation, City Debt	8,427	-0-	-0-	8,427
Cash and temporary cash investments held by the Board of Liquidation (restricted)	-0-	273,869	-0-	273,869
Held by the City of New Orleans	278,294	-0-	-0-	278,294
Investments held by the Board of Liquidation, City Debt-at amortized cost	4,652,355	-0-	-0-	4,652,355
Receivables:				
Ad valorem taxes (net of allowance for uncollectible taxes of \$80,000)	261,900	-0-	-0-	261,900
Accrued interest	16,924	-0-	-0-	16,924
State of Louisiana - Department of Transportation and Development	86,300	-0-	-0-	86,300
Other	16,295	-0-	-0-	16,295
Due from component unit	13,753	-0-	-0-	13,753
Prepaid expenses	<u>17,735</u>	<u>-0-</u>	<u>-0-</u>	<u>17,735</u>
Total assets	<u>\$6,052,852</u>	<u>\$273,869</u>	<u>\$ 7,937</u>	<u>\$6,334,658</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts and other payables	\$ 108,199	\$ -0-	\$ -0-	\$ 108,199
Due to the City of New Orleans, net	103,803	-0-	-0-	103,803
Due to primary government	-0-	-0-	13,753	13,753
Deferred revenues	<u>989,407</u>	<u>-0-</u>	<u>-0-</u>	<u>989,407</u>
Total liabilities	<u>1,201,409</u>	<u>-0-</u>	<u>13,753</u>	<u>1,215,162</u>
<u>FUND BALANCES</u>				
Fund Balances:				
Reserved for Canal Street/District-Wide projects	4,651,443	-0-	-0-	4,651,443
Reserved for debt service	-0-	273,869	-0-	273,869
Designated for subsequent year's expenditures	200,000	-0-	-0-	200,000
Undesignated	<u>-0-</u>	<u>-0-</u>	<u>(5,816)</u>	<u>(5,816)</u>
Total fund balances	<u>4,851,443</u>	<u>273,869</u>	<u>(5,816)</u>	<u>5,119,496</u>
Total liabilities and fund balances	<u>\$6,052,852</u>	<u>\$273,869</u>	<u>\$ 7,937</u>	<u>\$6,334,658</u>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS (DEFICIT) OF THE
GOVERNMENTAL ACTIVITIES--DECEMBER 31, 2003

Total governmental fund balances	\$5,119,496
Amounts reported for governmental activities in statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	746,351
Less: Accumulated depreciation	(568,529)
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds	278,294
Long-term liabilities are not due and payable in current year and therefore not reported in the funds	
Capital lease payable	(5,815)
Compensated absences	(55,121)
Bonds payable	(7,065,000)
Add: Deferred charges for issuance costs	<u>70,408</u>
Net assets (deficit)	<u>\$(1,479,916)</u>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES(DEFICIT)--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
Revenues:				
Ad valorem taxes	\$4,752,518	\$ -0-	\$ -0-	\$4,752,518
New Orleans Area Tourism and Economic Development Fund	292,315	-0-	-0-	292,315
Department of Transportation and Development	86,300	-0-	-0-	86,300
Interest on delinquent taxes	9,172	-0-	-0-	9,172
Interest on investments	85,482	-0-	-0-	85,482
Interest on cash and temporary cash investments	7,093	-0-	20	7,113
Charges for services	164,655	-0-	-0-	164,655
Other	<u>1,002</u>	<u>-0-</u>	<u>-0-</u>	<u>1,002</u>
Total revenues	<u>5,398,537</u>	<u>-0-</u>	<u>20</u>	<u>5,398,557</u>
Expenditures:				
Administration	1,186,037	-0-	422	1,186,459
Marketing and promotions	166,479	-0-	-0-	166,479
Operations	1,502,199	-0-	-0-	1,502,199
Public safety	1,051,122	-0-	-0-	1,051,122
Special projects	86,800	-0-	-0-	86,800
Economic development	179,687	-0-	-0-	179,687
Canal/District-wide	271,301	-0-	-0-	271,301
Principal on bonds	-0-	160,000	-0-	160,000
Interest on bonds	<u>-0-</u>	<u>381,838</u>	<u>-0-</u>	<u>381,838</u>
Total expenditures	<u>4,443,625</u>	<u>541,838</u>	<u>422</u>	<u>4,985,885</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>954,912</u>	<u>(541,838)</u>	<u>(402)</u>	<u>(412,672)</u>
Other financing sources (uses):				
Operating transfer out	(541,838)	-0-	-0-	(541,838)
Operating transfer in	<u>-0-</u>	<u>541,838</u>	<u>-0-</u>	<u>541,838</u>
Other financing sources (uses)	<u>(541,838)</u>	<u>541,838</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balances (deficit)	<u>413,074</u>	<u>-0-</u>	<u>(402)</u>	<u>412,672</u>
Fund balances (deficit):				
Beginning of year	4,907,521	273,869	(5,414)	5,175,976
Adjustment to beginning fund balances (deficit)	<u>(469,152)</u>	<u>-0-</u>	<u>-0-</u>	<u>(469,152)</u>
Fund balances (deficit) beginning of year, as restated	<u>4,438,369</u>	<u>273,869</u>	<u>(5,414)</u>	<u>4,706,824</u>
End of year	<u>\$4,851,443</u>	<u>\$ 273,869</u>	<u>\$(5,816)</u>	<u>\$5,119,496</u>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

Net change in fund balances (deficit)	\$412,672
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	61,413
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of current year depreciation expense	(47,395)
The fund balance of the Downtown Development Unlimited (the District's blended component unit) are reported with governmental activities	(5,816)
The current year change in fund balances of component unit	402
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items	<u>156,875</u>
Change in net assets	<u>\$578,151</u>

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

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

NOTE 1 - Summary of Significant Accounting Policies:

Background

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

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

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

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

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

The Financial Reporting Entity

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

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

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

In addition, the financial reporting entity consists of **the District** and its blended component unit. A blended component unit is a legally separate organization for which **the District** is financially accountable. Financial accountability is present if **the District** appoints a voting majority of a component unit's governing body and has the ability to impose its will on the organization or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on **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, Continued

Blended Component Unit

The Downtown Development Unlimited (DDU), a 501(c)3 non-profit corporation without capital stock is blended with **the District** for financial statement purposes because the component unit's governing body is comprised of the Executive Committee of **the District** and because the component unit exclusively serves **the District**. The financial statements of this blended component unit may be obtained from **the District's** office.

This corporation was organized for and to carry on the following purposes:

To establish a permanent promotional program pointed towards a progressive and dynamic central downtown New Orleans; to preserve and expand central downtown New Orleans as a regional business and shopping area for the general benefit of the metropolitan area of New Orleans, and its surrounding markets; to cooperate with all members of the corporation through group action on common problems, and to cooperate with the City Council of the City of New Orleans, other governmental bodies, civic organizations, and other interested groups or individuals, in solving the civic, business and commercial problems of the City of New Orleans, to alleviate parking problems and other problems resulting from congestion; to improve the appearance of the central downtown area; and generally to promote, aid and assist in developing a better central downtown New Orleans for the use and benefit of everyone.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of **the District** and its blended component unit. The effect of the interfund activity has been removed from these financial statements.

The District's Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use, or directly benefit from services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational requirements of a particular segment. Ad valorem taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for **the District's** governmental funds.

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Measurement Focus, Basis of Accounting, and Financial
Statement Presentation

The District's government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. *Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, **the District** considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are *recorded only when payment is due.*

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Measurement Focus, Basis of Accounting, and Financial
Statement Presentation, Continued

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.

In addition, the Board manages the investment activity of **the District's** bond proceeds and tax collection funds.

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:

Measurement Focus, Basis of Accounting, and Financial
Statement Presentation, Continued

The District reports the following major governmental funds:

The General Fund - is **the District's** primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

The Debt Service Fund - accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of **the District**.

The District has adopted the provisions of GASB 33 (*Accounting and Financial Reporting for Non-Exchange Transactions*) effective for fiscal years that began after June 15, 2000.

Under GASB 33 standards, **the District** recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- **The District** recognized assets and liabilities when all applicable eligibility requirements are met or resources received whichever is first;

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Measurement Focus, Basis of Accounting, and Financial
Statement Presentation, Continued

- Revenue and expenses are recognized when all applicable, eligibility requirements are met; and
- For transactions with time requirements, resources received prior to the satisfaction of the time requirement(s) are recorded by **the District** as revenue upon award.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). These other financing sources (uses) are recognized at the time the underlying event occurs.

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**.

**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, Continued

- Any plan shall include (a) an estimate of the annual and aggregate cost of acquiring, constructing or providing the services, improvements or facilities set forth therein; (b) the proportion of tax to be levied on the taxable real property within **the District** which is to be set aside and dedicated to paying the cost of furnishing specified services, and the proportion of such tax to be set aside and dedicated to paying the cost of capital improvements or paying the cost of debt service on any bonds to be issued to pay the cost of capital improvements; and (c) an estimate of 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 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 and the City Council passes an ordinance of resolution to close.

**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, Continued

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, strips and certificates of deposit and are usually for periods of ninety (90) days to one year. Such investments are valued at amortized cost which approximates market and interest earned thereon is recorded when earned. See NOTE 2.

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.

Bad Debts

An allowance for uncollectible taxes has been established for ad valorem taxes receivable and equals approximately ten (10) percent of outstanding property taxes.

Capital Assets

The District's capitalization policy requires that all single assets costing \$5,000 or more be capitalized and depreciated over their useful lives. Single assets costing less than \$5,000 are expensed. All assets regardless of costs are tracked.

**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 Assets, Continued

The straight-line method of depreciation is used for all classes of capital assets, and the allocation of depreciation expense begins on the first day of the year in which the capital assets is purchased. Based on its own experience, the District established the following useful lives for each asset class:

Public Works	7 years
Motor Vehicles	5 years
Computer Equipment	5 years
Office Equipment	7 years
Office Furniture and Fixtures	7 years
Promotional Equipment	5 years

All capital assets acquired or donated are valued at historical cost or estimated historical cost if actual historical cost is not available.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital Leases

Leases meeting the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, are recorded at inception of expenditure and other financing uses in the governmental fund. The assets and related liabilities are recorded in the government-wide financial statements at the present value of the future minimum lease payments using the interest rates stated in the lease.

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

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 ninety (90) days, but does not vest and any unused amounts are forfeited upon retirement or termination of employment.

Both vacation and sick pay are recognized when paid in the governmental funds. Vacation leave is accrued when incurred in the government-wide financial statements.

Employee Benefits

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

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

NOTE 1 - Summary of Significant Accounting Policies, Continued

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund level financial statements, governmental fund recognizes bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**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 Balance

In the fund level financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted Assets

Certain proceeds of the District's ad valorem taxes set aside for debt service payments are classified as restricted assets on the balance sheet because they are maintained in a separate bank account and their use is limited by applicable bond covenants.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund level financial statements.

Deferred Charges

Reflect costs incurred that are applicable to future accounting periods. Such costs are capitalized and amortized over the benefit period.

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

NOTE 1 - Summary of Significant Accounting Policies, Continued

Equity Classifications

Equity is classified as net assets and displayed in three components on the government-wide financial statements:

Invested in capital assets, net - consists of capital assets, net of accumulated depreciation;

Restricted net assets - consists of net assets with constraints placed on use by law through constitutional provisions or enabling legislation.

Unrestricted net assets - consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of accumulated depreciation".

NOTE 2 - Investments:

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

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

During 2003, deposits in excess of FDIC insurance were collateralized by the securities described above.

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

NOTE 2 - Investments, Continued:

At December 31, 2003, the Board as fiscal agent of **the District** held on their behalf, cash and temporary cash investments in the amount of \$282,296 and securities consisting of Certificates of Deposit and a United States Treasury Bills and Strips as follows:

<u>Description</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>Carrying Amount</u>	<u>Approximate Market Value</u>
Certificate of Deposit	1.03	02-12-04	\$1,000,000	\$1,000,000
Certificate of Deposit	1.00	03-04-04	70,000	70,000
Certificate of Deposit	.98	04-01-04	<u>1,090,000</u>	<u>1,090,000</u>
Total Certificates of Deposit			<u>2,160,000</u>	<u>\$2,160,000</u>

<u>Description</u>	<u>Discount Rate (%)</u>	<u>Maturity</u>	<u>Cost</u>	<u>Approximate Market Value</u>
United States Treasury Bill	.96	01-29-04	\$ 228,000	\$ 228,000
United States Treasury Bill	1.01	02-05-04	1,075,000	1,075,000
United States Treasury Bill	1.01	02-12-04	1,115,000	1,115,000
United States Treasury Bills	1.02	02-26-04	<u>87,000</u>	<u>87,000</u>
Total			2,505,000	<u>\$2,505,000</u>
Less unamortized discount			<u>(12,645)</u>	
Total United States Treasury Bills			<u>2,492,355</u>	
Grant Total			<u>\$4,652,355</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, 2003, are either covered by FDIC or by collateral held by a third party in the name of the Board as custodian for **the District**.

Custodial credit risk is the risk that, in the event of a failure by the financial institution, **the District's** deposits may not be returned to it. **The District** has no deposit policy for custodial risk; however, none of **the District's** investments were exposed to custodial credit risk, since the pledged securities were in the joint name of the Board or **the District** and financial institution and held in safekeeping by a third party.

Accrued interest at December 31, 2003, on the above investments was \$16,924.

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, 2003, the carrying amount of **the District's** deposits was \$708,806 and the bank balance was \$866,855. Of these amounts, \$100,000 is covered by federal deposit insurance and the remainder collateralized by a pledge of securities owned by the depository bank and held in safekeeping by other financial institutions in **the District's** name. As previously discussed, **the District** has no deposit policy for custodial risk; however, none of **the District's** deposits were exposed to custodial credit risk. Cash and temporary cash investments held by the Board at December 31, 2003 was \$8,427.

Restricted cash and temporary cash investments at December 31, 2003, consisted of amounts held for debt service obligations and funds held in escrow by the City of New Orleans for protest tax payments.

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

NOTE 4 - Real Estate Escrow Fund:

Certain property owners made tax payments under protest which had not been resolved at December 31, 2003, in the amount of \$278,294. As of December 31, 2003, these funds are held in escrow by the City of New Orleans.

NOTE 5 - Property Taxes:

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

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

In accordance with the State Constitution, **the District** will maintain its mills on real property at 22.97 mills. Collection has been suspended at 15.9 mills over the last six years.

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

NOTE 5 - Property Taxes, Continued:

The District levied 15.9 mills on real property within its area for 2003. Taxes on real property are levied on January 1, and payable on January 1. Billings are delinquent February 1 and are subject to lien and the assessment of penalties and interest. Property taxes levied for 2003, collected during 2003, or expected to be collected in 2004 are recognized as revenues in 2003. Taxes levied for 2004, but collected in 2003, 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, City Debt to the account of **the District**.

NOTE 6 - Capital Assets:

A summary of changes in capital assets follows:

	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance December 31, 2003</u>
Motor vehicle	\$ 13,552	\$ -0-	\$-0-	\$ 13,552
Motor scooters	15,645	-0-	-0-	15,645
Office equipment	85,330	-0-	-0-	85,330
Office furniture	77,092	-0-	-0-	77,092
Promotional equipment	393,475	-0-	-0-	393,475
Capital leases	60,306	-0-	-0-	60,306
Public works	<u>100,951</u>	-0-	<u>-0-</u>	<u>100,951</u>
Sub-total	746,351	-0-	-0-	746,351
Less accumulated depreciation	<u>(521,134)</u>	<u>(47,395)</u>	<u>-0-</u>	<u>(568,529)</u>
Total	<u>\$ 225,217</u>	<u>\$(47,395)</u>	<u>\$-0-</u>	<u>\$ 177,822</u>

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

NOTE 6 - Capital Assets, Continued:

Depreciation expense was charged to functions as follows:

Administration	\$14,564
Marketing and promotions	29,702
Public safety	<u>3,129</u>
Total	<u>\$47,395</u>

NOTE 7 - Amounts Payable 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, 2003, reflect the net of various transactions. Details are as follows:

Advance, payable and reimbursements due to the District for 2003 expenditures	\$ 1,481,301
Amounts due to the City of New Orleans for expenditures and a revolving advance	<u>(1,585,104)</u>
Net amount payable to the City of New Orleans	<u>\$ (103,803)</u>

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

NOTE 8 - Deferred Revenues:

Ad valorem taxes of \$86,732, levied for 2004, and collected in 2003, are reflected as deferred revenue at December 31, 2003. (See NOTE 5). In addition, deferred revenues include \$524,381 of unspent funds received from the New Orleans Area Tourism and Economic Development Fund for both the "Goodwill Ambassador" and "Hospitality Ranger" programs in 2003 and \$100,000 of unspent funds from the Canal Street Development Corporation.

NOTE 9 - Designated Fund Balance:

A portion of the fund balance in the amount of \$200,000 representing \$100,000 for state sidewalk matching and \$100,000 for Canal Street Development Cooperative Endeavor Agreement has been designated for subsequent year's expenditures (totaling \$8,960,291) as per the year 2004 approved annual plan.

A detail of year 2004's budget is as follows:

<u>Description</u>	<u>Amount</u>
Administration	\$1,122,707
<u>Marketing</u>	
Marketing and promotions	258,000
<u>Operations</u>	
Sanitation services	303,000
Capital improvements	75,000
Cleaning and maintenance	1,070,000
Landscape maintenance	292,010
Street furnishings and beautification	17,000
Other	8,000
<u>Public Safety</u>	
Hospitality	400,000
Police sub-station	8,000
NOPD services	750,000
Public safety	<u>2,500</u>
Page total	<u>4,306,217</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>Economic Development</u>	
Administration	\$ 3,750
Research	10,000
Canal Street	70,000
Miscellaneous	20,000
Homelessness	5,000
Medical District	36,000
Presentation	9,000
 <u>Infrastructure</u>	
District-Wide	558,292
Canal Street	2,667,485
Debt service	534,647
 <u>Prior Year/Designated</u>	
CSDC	200,000
Wayfinding	500,000
Facade	<u>39,900</u>
Total budgeted expenditures for 2004	<u>\$8,960,291*</u>

*Includes bond proceeds activity

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

Retirement Plan

In 1993, the District established a defined contribution retirement plan for its employees. The District makes a 5% contribution to eligible employees; however, there is not a specific contribution requirement for employees. All full-time 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 DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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

Retirement Plan, Continued

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 to include the ability to establish and amend plan provisions 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 2003, was \$33,741 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** eligible employees participate in the plan. The payroll for covered employees and total payroll for the year ended December 31, 2003, was \$703,455.

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, General American, and American General 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 2003, were \$1,972.

**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, 2003, under various contractual arrangements that are to be financed in 2004, in the amount of \$200,000. These amounts are included in the 2003 plan designated fund balance for facade improvements and special projects.

Capital Leases

Future minimum lease payments under capital leases as of December 31, 2003, by year are:

<u>Year Ending</u>	<u>Amount</u>
2004	\$ <u>7,955</u>
Total minimum lease payments	7,955
Less: Amount representing interest	<u>(2,140)</u>
Present value of net minimum lease payments	\$ <u>5,815</u>

Interest rates on capitalized leases are imputed based on the lower of the District's incremental borrowing rate at the inception of the lease or the implicit rate of return.

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

NOTE 11 - Commitments and Contingencies, Continued:

Operating Leases

The District is leasing its offices at 1010 Common Street. Under its current agreement, the lease expires on July 31, 2011. **The District** also leases office equipment with various terms from one month to sixty months.

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

<u>Year Ending</u>	<u>Amount</u>
2004	\$106,380
2005	105,434
2006	107,358
2007	111,136
2008	114,914
2009 and thereafter	<u>313,889</u>
Totals	<u>\$859,111</u>

The total rent under the above leases was \$112,223 during 2003. Leases are funded from general revenues.

Funding

The District is beneficiary to a pass-through appropriation in the sum of \$500,000 under the U.S. Department of Transportation.

Participation Agreement

Pursuant to a resolution passed by the City Council of New Orleans, dated March 21, 2002, **the District** executed with Canal Street Development Corporation, a participation agreement to assist, if warranted, certain capital improvements to Canal Street and District-Wide, for an amount not to exceed \$300,000 annually.

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

NOTE 12 - Litigation:

There are matters being litigated to include matters 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 those suits involving properties not owned or maintained by **the District**. Also, the City of New Orleans in its capacity as the tax collector for various tax bodies including **the District** has been named as defendants in several pension plan cases. The attorneys for the City of New Orleans have indicated that the cases are being vigorously contested and the likelihood of a favorable outcome is uncertain. At December 31, 2003 and June 4, 2004, it is the opinion of management and counsel that the results of any of these suits cannot be determined.

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; errors and omissions; and material disasters for which **the District** carries errors and omissions and natural disaster commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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

NOTE 15 - Subsequent Events:

The District's 2004 budget plan in the amount of \$8,960,291 has been submitted to and approved by the City Council of New Orleans.

Also, subsequent to year-end, the Board of Commissioners for **the District** adopted a resolution to amend, restate and replace a cooperative endeavor agreement with the City of New Orleans and Canal Street Development Corporation whereas **the District** has committed to fund approximately \$275,000, from funds on hand and to be responsible, on a proportional basis, for certain amounts of the debt service on a revenue bond issue approved by the City Council in an amount not exceed \$12,000,000.

Of this amount, **the District's** portion will not exceed \$2,000,000.

NOTE 16 - Bonds:

On January 18, 2001, the City Council of the City of New Orleans adopted a resolution approving and authorizing the issuance of bonds in an amount not to exceed \$10,000,000. The proceeds derived from the sale of the bonds will be used to finance the cost of capital improvements and facilities within **the District**.

Pursuant to LA. R.S. 33:2740.3, as amended, and consequent to voter approval resulting from elections held on April 7, 2001, **the District** issued \$7,375,000 in bonds. The Downtown Development District Limited Tax Bonds, series 2001, was sold on May 31, 2001, and delivered on July 1, 2001. The bonds are dated July 1, 2001 and due on December 1, 2001 through December 1, 2026.

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

NOTE 16 - Bonds, Continued:

Payment of principal and interest will be solely from and secured by an irrevocable pledge and dedication of the proceeds derived from the levy and collection of taxes upon all taxable real property located within the boundaries of the **District**. The December 31, 2003, the Board of Liquidation, City Debt has \$273,869 held in escrow for the payment of future debt service in connection with the bonds issued. Also see NOTE 18.

NOTE 17 - Concentration of Credit Risk:

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

NOTE 18 - Changes in Long-term Debt:

Activity in **the District's** long-term debt for the year ended December 31, 2003, follows:

<u>Long-term Debt</u>	<u>Balance January 1, 2003</u>	<u>Additions</u>	<u>(Retirements)</u>	<u>Balance December 31, 2003</u>
Downtown Development District Limited Tax Bonds Series 2001	\$7,225,000	\$ -0-	\$(160,000)	\$7,065,000
Compensated absences	43,616	11,505	-0-	55,121
Capital leases	<u>14,537</u>	<u>-0-</u>	<u>(8,722)</u>	<u>5,815</u>
	<u>\$7,283,153</u>	<u>\$11,505</u>	<u>\$(168,722)</u>	<u>\$7,125,936</u>

Of the total long-term debt of \$7,125,936, \$184,349 is due within one (1) year.

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

NOTE 18 - Changes in General Long-term Debt, Continued:

Bond debt service requirements to maturity by year is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2004	170,000	\$ 374,520
2005	180,000	365,340
2006	190,000	355,620
2007	195,000	345,930
2008	205,000	336,765
2009-2013	1,185,000	1,528,931
2014-2018	1,515,000	1,200,708
2019-2023	1,965,000	746,040
2024-2026	<u>1,460,000</u>	<u>166,601</u>
Total	<u>7,065,000</u>	<u>\$5,420,455</u>
Less current portion	<u>(170,000)</u>	
Non current portion	<u>\$6,895,000</u>	

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

NOTE 19 - Continuing Disclosure Certificate:

Appendix "H" Section 4. "Content of Annual Reports" of the "Continuing Disclosure Certificate" executed and delivered by the City of New Orleans and **the District** dated May 30, 2001, requires the annual audit report of **the District** contain or incorporate by reference, the following;

Section 4 Part

- c. The total amount of debt of **the District** issued, as well as any debt which has been authorized but not yet issued. See NOTE 16 in the accompanying financial statement.
- d. Any material changes in the assessment procedures and the homestead exemptions for the most recent tax year available from Louisiana Tax Commission. Assessments are reduced to comply with the directions of the Tax Commission Board and Judgments.
- e. The assessed value of taxable property in **the District** and homestead exemptions of the most recent tax year available from the Louisiana Tax Commission. See Exhibit A.
- f. The assessed value of property by classification for **the District** for the most recent tax year available from the Louisiana Tax Commission. See Exhibit C.
- g. Update the table included in the Official Statement under the caption "Tax Collection Record". See Exhibit D.
- h. The millage rates at which the tax is levied for the prior tax year including specifically, the millage that is pledged to the payment of the bonds.

Millage rate for 2002, was 15.9 mills.

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

NOTE 19 - Continuing Disclosure Certificate, Continued:

Section 4 Part, Continued

- i. The ad valorem tax levies and collections of **the District** for the prior tax year, including specifically, the millage that is pledged to the payment of the bonds. Adjusted taxes levied for 2002, was \$4,786,985 and collection was \$4,619,114.
- j. A listing of the ten largest *ad valorem* taxpayers within **the District** for the prior tax year. See Exhibit B.
- k. Updated information reflecting the trend of indebtedness of **the District**. See NOTE 16 in the accompanying financial statements.

NOTE 20 - Deferred Charges:

At December 31, 2003, deferred charges consisted of the unamortized portion of the bond issuance cost. The following is an analysis:

Bond cost as of January 1, 2003	\$73,533
Less current year amortization	<u>(3,125)</u>
Sub-total	70,408
Current portion	<u>(3,125)</u>
Non-current portion	<u>\$67,283</u>

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

NOTE 21 - Net Deficit:

Management of the District has implemented plans and actions aimed at cost containment, grant and revenue enhancement strategies to address the net deficit.

NOTE 22 - Adjustment to Net Assets:

The adjustments to beginning net assets primarily adjusts for the effect of revised or adjusted past tax assessments in the amount of \$617,458 made during the current year to include reimbursements made by the City of New Orleans using the District's current year tax collections for the tax years ended 1976 through 2002. See NOTE 23. Also, see current year finding reference number 2003-01.

NOTE 23 - Levy of Tax Assessment:

According to correspondence received from the District's attorney and LA Revised Statute Section 47:1957, there is no express limitation on an assessor's ability to retroactively revise or adjust past assessments. As such, a tax assessor may revise or adjust past tax assessments for as many past years as his/her discretion dictates. To that extent, the ad valorem tax revenue for the District will always be subject to retroactive adjustments (positive or recaptive) as in the current year.

NOTE 24 - Amounts Receivable:

At December 31, 2003, amounts receivable consisted of the following:

Department of Transportation and Development	\$ 86,300
Vendors	14,459
Other	<u>1,836</u>
Total	<u>\$102,595</u>

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

NOTE 25 - Per Diem Paid to Board of Commissioners:

The Board of Commissioners in their capacity as board members received no per diem amounts for the year ended December 31, 2003.

REQUIRED SUPPLEMENTARY INFORMATION

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE--BUDGET
AND ACTUAL--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Ad valorem taxes	\$4,301,248	\$4,685,121	\$4,752,518	\$(67,397)
Interest on delinquent taxes	3,000	300	9,172	8,872
Interest on investments	126,820	90,894	85,482	(5,412)
Interest on cash and temporary cash investments	17,000	6,280	7,093	813
New Orleans Area Tourism and Economic Development Fund	400,000	400,000	292,315	(107,685)
Department of Transportation and Development	-0-	-0-	86,300	86,300
Charges for services	166,855	167,115	164,655	(2,460)
Other	<u>600</u>	<u>600</u>	<u>1,002</u>	<u>402</u>
Total revenues	<u>5,015,523</u>	<u>5,350,310</u>	<u>5,398,537</u>	<u>48,227</u>
Expenditures:				
Administration	1,168,623	1,164,478	1,186,037	(21,559)
Marketing and promotions	182,288	182,288	166,479	15,809
Operations	1,761,200	1,535,636	1,502,199	33,437
Public safety	1,168,765	1,168,765	1,051,122	117,643
Special projects	534,647	518,034	86,800	431,234
Economic Development	200,000	205,603	179,687	25,916
Canal/District - Wide	<u>-0-</u>	<u>240,000</u>	<u>271,301</u>	<u>(31,301)</u>
Total expenditures	<u>5,015,523</u>	<u>5,014,804</u>	<u>4,443,625</u>	<u>571,179</u>
Excess (deficiency) of revenues over expenditures before other financing sources (uses)	<u>-0-</u>	<u>335,506</u>	<u>954,912</u>	<u>619,406</u>
Other financing sources (uses):				
Operating transfers (out)	-0-	-0-	(541,838)	(541,838)
Operating transfers in	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Other financing sources (uses), net	<u>-0-</u>	<u>-0-</u>	<u>(541,838)</u>	<u>(541,838)</u>
Net change in fund balance	<u>-0-</u>	<u>335,506</u>	<u>413,074</u>	<u>\$ 77,568</u>
Fund balance:				
Beginning of year	7,065,493	7,065,493	4,907,521	
Adjustment to beginning fund balance	<u>-0-</u>	<u>-0-</u>	<u>(469,152)</u>	
Beginning of year, as restated	<u>7,065,493</u>	<u>7,065,493</u>	<u>4,438,369</u>	
End of year	<u>\$7,065,493</u>	<u>\$7,400,999</u>	<u>\$4,851,443</u>	

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

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
BALANCE SHEET--NONMAJOR GOVERNMENTAL FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

Downtown Development
Unlimited

ASSETS

Cash:	
Cash and temporary cash investments	\$ <u>7,937</u>
Total assets	\$ <u>7,937</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Due to primary government	\$ <u>13,753</u>
Total liabilities	<u>13,753</u>

FUND BALANCE (DEFICIT)

Fund Balance (Deficit):	
Undesignated	(<u>5,816</u>)
Total fund balance (deficit)	(<u>5,816</u>)
Total liabilities and fund balance (deficit)	\$ <u>7,937</u>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE (DEFICIT)--NONMAJOR GOVERNMENTAL FUND
SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Downtown Development Unlimited</u>
Revenues:	
Interest on cash and temporary cash investments	\$ <u>20</u>
Total revenues	<u>20</u>
Expenditures:	
Administration	<u>422</u>
Total expenditures	<u>422</u>
Deficiency of revenues over expenditures	(402)
Fund balance (deficit):	
Beginning of year	<u>(5,414)</u>
End of year	<u>\$(5,816)</u>

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

OTHER SUPPLEMENTARY INFORMATION – EXHIBITS

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

**ASSESSED VALUE OF TAXABLE PROPERTY IN
THE DISTRICT AND HOMESTEAD EXEMPTION
2004 TAX ROLLS
(UNAUDITED)**

<u>District</u>	<u>Real Property</u>	<u>Homestead Exemption</u>
1	<u>\$372,493,099</u>	<u>\$10,446,387</u>
2	<u>\$292,503,393*</u>	<u>\$53,231,196*</u>

SOURCE: Board of Review Orleans Parish (October 3, 2003)

*The assessed value and homestead exemption covers the entire district and not the **Downtown Development District's** portion.

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

**LISTING OF THE TEN LARGEST AD VALOREM TAXPAYERS
2003 TAX YEAR
(UNAUDITED)**

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
Harrah's Entertainment	Casino	\$ 18,300,000
International Rivercenter	Shopping Center; Hotel	14,241,180
Marriott Hotel	Hotel	14,141,920
Metropolitan Life	N/A	10,932,002
EOP New Orleans LLC	N/A	5,130,355
W9/Trinet Property	N/A	3,288,870
PS Charles Associates	Office Building	9,173,103
C S & M Associates	Hotel	11,010,818
East Skelly LLC	N/A	4,226,870
SIP New Orleans Ventures	N/A	<u>6,497,435</u>
Total		<u>\$96,942,553</u>

SOURCE: Offices of the 1st and 2nd Municipal District Assessors.

EXHIBIT C

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

**ASSESSED VALUE OF PROPERTY BY
CLASSIFICATION FOR THE DISTRICT
2004 (UNAUDITED)**

	<u>DISTRICT</u>	
	(1)	(2)
Real property	\$372,493,099	\$292,503,393
Personal property	247,890,871	58,619,526
Public service rolls	<u>60,053,010</u>	<u>12,209,580</u>
Sub-total	680,436,980	363,332,499
Homestead Exemption	<u>(10,446,387)</u>	<u>(53,231,196)</u>
Net taxable	<u>\$669,990,593</u>	<u>\$310,101,303*</u>

SOURCE: Board of Review Orleans Parish, October 3, 2003.

*The net taxable value covers the entire district and not the **Downtown Development District's** portion.

EXHIBIT D

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

**TAX COLLECTION RECORD
(UNAUDITED)**

<u>Year</u>	<u>Current Year</u>	<u>Prior Years</u>	<u>Interest on Taxes</u>	<u>Total</u>	<u>Millage Rate</u>
1978	\$ 857,019	\$ 28,749	\$ 2,045	\$ 887,813	12.27
1979	1,154,605	241,626	3,908	1,400,139	12.23
1980	1,738,354	112,448	11,806	1,862,608	18.25
1981	2,140,646	151,614	20,034	2,312,294	18.25
1982	2,205,412	33,592	8,216	2,247,220	18.25
1983	2,345,491	143,867	33,376	2,522,734	18.25
1984	2,730,843	65,993	17,863	2,814,699	18.25
1985	3,213,064	40,796	19,490	3,273,350	18.25
1986	3,427,472	53,246	25,039	3,505,757	18.25
1987	2,108,025	68,618	30,354	2,206,997	12.50
1988	2,793,249	1,225,154	29,995	4,048,398	12.50
1989	2,892,817	99,422	23,646	3,015,885	13.24
1990	3,192,729	114,197	39,121	3,346,047	13.24
1991	3,059,756	354,670	29,736	3,444,162	13.24
1992	3,320,629	1,298,382	11,538	4,630,549	15.68
1993	3,462,223	356,608	18,862	3,837,693	16.85
1994	3,332,816	147,208	18,401	3,498,425	16.85
1995	3,180,789	228,410	10,371	3,419,570	16.85
1996	3,213,419	50,670	2,406	3,266,495	16.85
1997	3,150,955	166,817	792	3,318,564	15.90
1998	3,374,587	320,984	7,865	3,703,436	15.90
1999	3,688,899	80,215	2,177	3,771,291	15.90
2000	4,382,770	294,961	1,415	4,679,146	15.90
2001	4,699,156	204,893	761	4,904,810	15.90
2002	4,613,357	172,110	1,304	4,786,771	15.90
2003	4,657,083	(130,458)	9,172	4,535,797	15.90

SOURCE: Annual Reports, Board of Liquidation, February 4, 2004.



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**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 Finance Committee of the
Board of Commissioners 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, 2003, and have issued our report thereon dated June 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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 the 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 Summary Schedule of Findings as item 2003-01.

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 Summary Schedule of Findings as items 2003-01 and 2003-02.

A material weakness is a condition in which the design or operation or 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 also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the District in a separate letter dated June 4, 2004.

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

This report is intended solely for the information of the Finance Committee, Board of Commissioners, management, the City of New Orleans, Legislative Auditor for the State of Louisiana and the State of Louisiana, Department of Transportation and Development and is not intended to, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 4, 2004

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2003**

We have audited the financial statements of **The Downtown Development District of the City of New Orleans** as of, and for the year ended December 31, 2003, and have issued our report thereon dated June 4, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits outlined in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Our audit of the financial statements as of December 31, 2003, resulted in an unqualified opinion.

Section I: Summary of Auditors' Results

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

Internal Control:

Material Weaknesses Yes No Reportable Condition(s) Yes No

Compliance:

Compliance Material to Financial Statements Yes No

Federal Awards

Internal Control:

Material Weaknesses N/A Reportable Conditions N/A

Type of Opinion on Compliance:

For Major Programs: N/A

N/A - Not-applicable

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section I: Summary of Auditors' Results, Continued

Federal Awards, Continued

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

N/A

Identification of Major Programs:

N/A

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

N/A

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

N/A

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section II: Financial Statement Findings

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

Reference Number (External)

2003-01

Criteria

The management of **the District** should prepare and submit for Board review, complete financial statements which reflect accurate *ad valorem* tax collections and assessment amounts.

Condition

The District continues to have difficulties securing timely and accurate information in connection with its share of *ad valorem* tax assessments, collections, adjustments and disbursements from the City of New Orleans' Treasury Bureau. As a result, **the District** is unable to prepare complete and accurate financial statements or undertake the necessary monthly reconciliations of the various revenues and receivable account balances, as recorded on its books to that of the City of New Orleans. Consequently, the year end audit of **the District's** financial statements results with significant audit adjustments to properly and accurately state *ad valorem* tax revenues, deferred revenues and taxes receivables.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section II: Financial Statement Findings, Continued

Reference Number (External), Continued

2003-01

Condition, Continued

On June 3, 2004, we received from the City of New Orleans, a confirmation of the accounts receivable and escrow balances as of December 31, 2003 by tax year and the estimated collectibility of accounts receivable amounts and the net payments received for the year ended 2003. Upon receipt, we requested additional information to support the 2003 activity in detail as opposed to a net amount. On June 22, 2004, we received a revised confirmation of the District's tax collection and adjustment activity to include the following information by the respective tax years:

- Estimated collectibility;
- Gross payments received during 2003;
- Refunds made during 2003;
- Non-cash credit adjustments made during 2003;
- Non-cash debit adjustments made during 2003; and
- Escrow balance at December 31, 2003 for taxes paid under protest

We were unable to reconcile the total of the detailed activity received on June 22, 2004 to the net payment amount reported on the initial confirmation dated June 3, 2004. In addition, we were unable to analyze the accounts receivable balances between amounts confirmed by the City of New Orleans at December 31, 2002 and December 31, 2003, respectively for the tax years 1976-2002 (in total) and for the 2003 tax year using the 2003 detailed activity received on June 22, 2004. In other words, we were unable to reconcile the effect of the detailed 2003 activity to the change in accounts receivable balances in the respective reported tax years.

Context

Tax assessments for the year ended December 31, 2003, net of adjustments was \$4,813,931.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section II: Financial Statement Findings, Continued

Reference Number (External), Continued

2003-01

Effect

Inaccurate reporting of financial statements and *ad valorem* tax transactions.

Cause

Lack of a system to facilitate the timely receipt and/or access to revenue information resulting from the billing, adjustment and collection of *ad valorem* taxes by the City of New Orleans. Also, the inaccurate and untimely receipt of detailed activity from the City of New Orleans.

Recommendation

We recommend that management of **the District** continue its dialogue with the City of New Orleans administrators to facilitate the timely and accurate receipt of financial transactions regarding *ad valorem* tax assessments, adjustments, collections, disbursements, and receivables.

Management's Response

It is **the District's** appreciation that the lack of a system to facilitate the timely receipt and/or access to tax revenue information on billing, adjustments, and collections by the City of New Orleans directly impacts **the District's** ability to accurately prepare and report financial information. **The District** continues on-going efforts to resolve the timeliness of reporting from the City. On Friday, June 11, 2004, **the District's** Finance Director and auditors met with the City Chief Treasurer to arrange for monthly reports. **The District** specifically requested that monthly tax reports include assessments/billings, adjustments, collections, paid under protest, and receivable updates. The City agreed to submit **the District's** request to their MIS department for prompt action.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section II: Financial Statement Findings, Continued

Reference Number (Internal)

2003-02

Criteria

The management of **the District** is responsible for establishing and maintaining an effective internal control.

Condition

The operation of **the District's** internal control over cash receipts and financial reporting exhibited the following deficiencies:

- Our review of the wire transfer process revealed the following conditions:
 - Three (3) instances where wire transfers between accounts were posted to the general ledger in the month prior to the date of the transfer request confirmation and bank statement;
 - One (1) instance where a wire transfer to cover payroll was recorded in the general ledger eleven (11) days prior to the actual transfer per the bank statement and confirmation receipt;
 - Two (2) separate instances where wire transfers from **the District's** money market account to cover disbursements from the operating and payroll accounts lacked evidence of approval by the Executive Director; and

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section II: Financial Statement Findings, Continued

Reference Number (Internal), Continued
2003-02

Condition, Continued

- We noted no evidence of approval by the Executive Director to support wire transfers initiated by staff of the District prior to the completion of the actual transaction request.
- Our review of the cash receipts process for the concert series revealed the following conditions:
 - One (1) instance where \$1,000 was not adequately safeguarded overnight;
 - No procedures to periodically inventory the contents of a safe to include when and how much money is being placed in or removed from the safe;
 - No reconciliation to adequately account for the numerical sequence of tickets for the concert series from week to week;
 - One (1) instance where we were unable to reconcile the night deposit bags representing collections from ticket sales for the June 4, 2003 concert to the validated deposit coupons and bank statement ; and
 - No segregation of duties between the custodial of tickets, collection of night deposit bags, and reconciliation of ticket sales to bank deposits.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section II: Financial Statement Findings, Continued

Reference Number (Internal), Continued

2003-02

Condition, Continued

- Noted no formal outstanding check policy;
- Noted no periodic reconciliation of the subsidiary ledger for accounts payable to the general ledger control account; and
- **The District** reported expenses of \$4,818.95 in 2003 for the Hospitality Ranger program to its funding agency in excess of the amount actually recorded in **the District's** general ledger for the respective period.

Context

Total expenses for the year ended December 31, 2003 was \$4,881,799.

Effect

A weakened internal control system which increases the potential for misappropriation of assets, risk for errors, erroneous financial reporting, and potential for fraudulent activity.

Cause

Size of financial personnel coupled with lack of adequate established procedures.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section II: Financial Statement Findings, Continued

Reference Number (Internal), Continued

2003-02

Recommendation

We recommend that management of **the District** re-evaluate its current internal control processes and procedures to ensure that all wire transfer transactions are properly initiated, approved, and recorded. Also, we recommend that management revisit with its current cash receipts processes for the concert series. In addition, management should establish an outstanding check policy and a procedure that requires the periodic reconciliation of all significant subsidiary ledgers accounts to the respective general ledger control accounts. Finally, management should reconcile its total expenses for the Hospitality Ranger program to the amounts reported to the State on a monthly basis and submit revised reports as deemed necessary.

Management' Response

The District intends on re-evaluating and making necessary changes to strengthen its current internal control systems. The process will include evaluation of the financial personnel size, developing and revising operating procedures, and initiating segregation of duties to include greater involvement by all Directors. In the short-term, **the District** will immediately solicit recommendations from other professionals and firms on writing formal policies to address outstanding checks, monthly reconciliation of subsidiary ledgers to general control accounts, and inventory procedures for safe contents and fixed assets. Effective immediately and to ensure proper timing of bank confirmations, the Executive Director will approve all wire transfers prior to internal distribution of funds. Finally, the Executive and Finance Directors will schedule meetings with event planning firms to determine the best practices on handling transactions involving sponsorships, ticket sales, night bank deposits, and revenue distribution to vendors. **The District** has instituted on-site counting of cash at concerts and improved segregation of duties involving cash tickets.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section III: Federal Award Findings and Questioned Costs

No federal award findings and questioned costs were reported for the year ended December 31, 2003.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS**
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section IV: Status of Prior Years' Findings

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

Reference Number

99-1 and 97-6

Recommendation (External)*

We recommended that **the District** continue in its dialogue with all parties to facilitate access to accurate tax assessments and collection information from the City on a more timely basis.

Current Status

The District continues to maintain significant dialogue with the administrators of the City of New Orleans in an effort to secure tax assessments and collection information on a timely basis. When information is received management of **the District** reviews the data for completeness and makes every effort to resolve unreconciled differences.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section IV: Status of Prior Years' Findings, Continued

Reference Numbers, Continued

99-2 and 98-2

Recommendation (External)*

We recommended that management re-evaluate the current program status (Ambassador's Program) to ensure compliance of the programmatic and financial management aspects in accordance with its contract with the State of Louisiana.

Current Status

Resolved.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section IV: Status of Prior Years' Findings, Continued

Reference Number

98-3

Recommendation (External)*

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

Current Status

In order to resolve this prior years' finding on Police and Sanitation contracts, **the District** continues to have discussions with City Administrators in an effort to renew and resolve compliance with all contractual and reporting issues. With **the District's** Police enhancement unit relocating to **the District's** office in July 2004, dialogue and administration of contracts is expected to improve. In addition, both **the District** Police and **the District** Sanitation contracts have been re-written and in negotiation with the City of New Orleans personnel.

**THE DOWNTOWN DEVELOPMENT DISTRICT
OF
THE CITY OF NEW ORLEANS
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003**

Section IV: Status of Prior Years' Findings, Continued

Reference Number

96-1

Recommendation (External)*

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

Current Status

The District continues to meet and develop working relationship with City Administrators and anticipates a more timely and complete reporting of all transactions to **the District**.

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

EXIT CONFERENCE

An exit conference was held on June 22, 2004 with representatives of **the District**. The contents of this report were discussed and management is in agreement. Those persons that participated are as follows:

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

Zennette Austin	-- Chairman Audit and Finance Committee (outgoing)
Kurt Weigle	-- Executive Director
Donna Gogreve	-- Finance Director
Judy Barraso	-- Chairman Audit and Finance Committee (incoming)
Elaine Coleman	-- Vice Chairman Board of Commissioners
Byron Harrell	-- Commissioner

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Paul K. Andoh, Sr., CGFM, MBA, CPA	-- Partner
Latona Thomas, CPA	-- Supervisor



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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LEGISLATIVE AUDITOR

04 JUL -9 PM 2:22

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Finance Committee of the
Board of Commissioners of
The Downtown Development District
of the City of New Orleans

In planning and performing our audit of the financial statements of the **The Downtown Development District of the City of New Orleans (the District)** as of and for the year ended December 31, 2003, we considered **the District's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of certain matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on **the District's** internal control in our report dated June 4, 2004. This letter does not affect our report dated June 4, 2004, on the financial statements of **the District**.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with **the District's** personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

The following summarizes the suggestions regarding these matters:

Condition

No written policy relative to the use of **the District's** assets such as cellular telephones, credit card, computers, and other equipment, etc.

Recommendation

We recommend that management establish the necessary policies and procedures to ensure that use of **the District's** assets is for the benefit of the District .

Management's Response

During 2004, **the District** will make every effort to contact similar agencies and secure sample policies on best practices and methods to measure, monitor, and ensure that assets such as cellular telephones, credit cards, computers, and other equipment is being used for the benefit of **the District**.

Condition

The District does not perform periodic physical inventory of its fixed assets.

Recommendation

We recommend that controls be strengthened in the area of fixed assets. Management should perform periodic physical count of property especially movable equipment and compare the physical count with the detailed fixed asset subsidiary ledger pursuant to **the District's** policy as dictated in Accounting and Procedures manual. Affixing identification tags will aid in the count and comparison.

Management's Response

During 2004, **the District** will begin a semi-annual inventory of the "list of fixed assets" currently maintained on Champion's Asset Management software. The physical inventory will include proper labeling of all **the District** assets, disposing of damaged items, and recording of depreciation.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

Condition

Our review of general journal entries in connection with our December 31, 2003 audit, revealed that entries lacked approval beyond the preparer.

Recommendation

We recommend compliance with the approval process dictated in **the District's Accounting and Procedures Manual**.

Management's Response

The District will immediately implement a monthly approval process to include the Executive Director's review and approval of all general journal entries made.

Condition

At December 31, 2003, **the District's** government wide financial statements reflect a net deficit of \$1,479,916.

The Board during the year ended December 31, 2003 adopted a deficit recovery plan.

Recommendation

We recommend that **the District** continue in its efforts to enhance revenues while containing cost as a strategy toward recovery of its deficit.

Management's Response

The District continues to make every effort, under the Finance Committee supervision, to implement the deficit recovery plan adopted at year end December 31, 2003. In addition, **the District** continues to examine other options to enhance revenues while containing costs. This process includes securing accurate tax reports from the City, investigating **the District's** legal options to pursue collections, offering "in lieu of payment" opportunities, and partnering with other agencies to reduce restoration tax abatements and tax-exempt status abuse.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

Condition

Considering the size of the District, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of the District's assets.

Recommendation

We recommend that management continue to provide the necessary level of oversight in all key internal control areas.

Management's Response

In order to ensure protection and safeguarding the District's assets, management continues to implement proper stronger policies, involve committee participation and oversight by board members, and hold department directors responsible for departmental budgets.

We wish to thank you and your staff for the support afforded us during our audit.

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 4, 2004