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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 6-6-07



**Postlethwaite & Netterville**

*A Professional Accounting Corporation*

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2005**

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**INDEPENDENT AUDITORS' REPORT**

To the Finance 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, 2005, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial 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 of America. 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 opinion.

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, 2005, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2007, 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, that report contained one reportable condition.

The Management's Discussion and Analysis on pages v through viii and the Budgetary Comparison Information on page 29, 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.

*Pastelthorpe & Nettieville*

Metairie, Louisiana  
May 7, 2007

**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 exceeded liabilities at the close of the most recent fiscal year by \$572,581 as outlined on the statement of net assets.

The District's total net assets increased by \$1,712,191 during 2005 as opposed to an increase of \$985,652 in the prior year. The increase in net assets was primarily related to the receipt of \$325,939 of FEMA funds, a gain from Hurricane Katrina related insurance proceeds of \$156,231, and increase in investment income of \$143,639 which was the result of increased interest rates along with an increase in the investment balances. While the financial results of operational activity for 2004 reflect a strong net operating income, the effects of bond proceeds expended and incurred for Canal Street and District-Wide improvements will continue to produce a negative impact on the total net assets of the District. The expenses related to Canal Street and District-Wide improvements were \$857,828 and \$409,939 for 2005 and 2004, respectively. The increase was caused by the need to respond to the affects of Hurricane Katrina. As these improvements were the intended purpose of the bond proceeds, there were no tax revenues designated to absorb the respective costs.

Net assets continue to increase due to the impact of the increase in the district-wide property tax roll re-assessments during 2004. Property tax assessments of \$351,476,208 and \$354,537,865 for 2005 and 2004, respectively, reflect a roughly 14% increase. However, the affects of Hurricane Katrina and its impact on housing in New Orleans will drastically affect the tax assessments and subsequent collections for 2006 and beyond.

In 2005 and 2004 the District received State funding from the hotel/motel tax revenue stream of \$227,434 and \$317,045, respectively, to offset the expenses for the Hospitality Ranger Program. For 2005 and 2004, this program was not intended to produce an operating profit.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,901,453, an increase of \$1,247,965 from the prior year restated balance of \$5,653,488. Of the total fund balances, \$3,633,019 was designated for the Canal Street and District-wide projects and \$273,869 was reserved for debt service. Balances that are reserved to indicate that they are not available for new spending because they have 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 2005 operating budget. The remaining balance of \$2,994,565 was undesignated.

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

The District's management believes that GASB 34 financial statements, also referred to as government-wide financial statements, provide more useful and complete 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 1 through 3 are designed to be similar to private-sector business. These statements combined the District's current financial resources with capital assets and long-term obligations.

The Statement of Net Assets on pages 1 and 2 presents information of all the District's assets and liabilities, with the difference between the two reported as net assets. 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 3 presents information showing how the District's assets changed during the most recent fiscal year. All changes in net assets are reported on an accrual basis, which requires that all changes be recorded 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 the cost of various governmental services.

The governmental activities reflect the District's basic services including public space maintenance (sanitation, maintenance, and beautification), public safety (law enforcement, homelessness and code enforcement/quality of life), public safety rangers (public safety assistance and pedestrian and tourism information) marketing (special events, advertising, public relations, communications), economic development (revitalization, business retention and geographic information system) 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 various fund types.

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

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 4 and 6 are presented on a sources and uses 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 (Downtown Development Unlimited) of the District.

The governmental funds total column requires reconciliation because of the different measurement focus, which is reflected on the page following each statement (see pages 5 and 7). 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 financial 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 8 through 28 of the accompanying audit report.

#### **Other Information**

Required supplementary information can be found in pages 32 through 35 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the audited financial statements.

#### **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, undesignated 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

**Final Amended Budget**

The final budget and actual comparisons are on page 29. The variations in the budget versus the actual balances reflect unanticipated revenues resulting in a variance of \$1,115,344 in revenues. In total, actual expenditures were \$1,037,472 less than the final budgeted expenditures. Much of this decrease can be contributed to the affects of Hurricane Katrina which drastically reduced public space operations expenditures and public safety expenditures. However, marketing/events actual expenditures exceeded final budgeted expenditures by \$249,283. This can be attributed in the increase in revenue producing concerts and other events held in 2005.

**Capital Asset and Debt Administration**

The destruction caused by Hurricane Katrina in the capital asset area. Assets with a cost of \$643,967 and accumulated depreciation of \$566,400 were disposed of during the year. Most of the disposals were the result of the hurricane.

At December 31, 2005 and 2004, the District had \$23,530 and \$83,353 respectively, invested in capital assets, net of accumulated depreciation consisting principally of office equipment. See page 19 of the notes to the financial statements for a detail composition of capital assets.

At December 31, 2005, the District had total bonded debt outstanding of \$6,715,000 compared with \$6,895,000 at December 31, 2004. The annual payment of principal is the sole source for the change in this balance.

**Economic Factors and Next Year's Budget and Rates**

There are several uncertainties with the District as well as the City of New Orleans related to property tax revenue. The destruction of real estate along with the shrinking population adds difficulty to projecting 2006 property tax revenue as well as property tax beyond 2006. The landscape of the City of New Orleans has changed dramatically, and as a result, the City will surely not see property tax revenue at pre-Katrina levels for several years if ever again.

**Significant Events**

As previously discussed, Hurricane Katrina has had a profound affect on the District. The major affects on the District were the destruction of capital assets which will need replacement in future years, a decrease in future property tax revenues resulting from real estate destruction in the City of New Orleans as well as the exodus of many of its residents, and the receipt of insurance proceeds and FEMA funds which were used to help offset the repairs and additional costs caused by the hurricane.

The District has budgeted for 2006 accordingly, but the affects of the hurricane will be felt for several years. Management of the District has assessed the District's needs for 2006 and beyond and has formulated a plan for the continued success of the District.

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

**ASSETS**

**CURRENT ASSETS**

**Unrestricted:**

Cash and temporary cash investments	\$ 636,927
Investments	6,522,856
Ad valorem taxes receivable, net	630,251
Due from other governments	400,497
Insurance receivable	233,800
Other receivables	78,418
Prepaid expenses	21,038
Interest receivable	66,180
Deferred charges	3,125
Other	9,231
	8,602,323
Total unrestricted current assets	8,602,323

**Restricted:**

Temporarily restricted:	
Cash and temporary cash investments	273,869
	273,869
Total restricted current assets	273,869

**TOTAL CURRENT ASSETS** 8,876,192

**NONCURRENT ASSETS**

Capital assets (net)	23,530
Deferred charges	61,034
	84,564

**TOTAL NONCURRENT ASSETS** 84,564

**TOTAL ASSETS** \$ 8,960,756

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS**  
**STATEMENT OF NET ASSETS**  
**December 31, 2005**

<u><b>LIABILITIES</b></u>	
<u><b>CURRENT LIABILITIES</b></u>	
Accounts and current liabilities	\$ 393,869
Deferred revenues	23,701
Compensated absences payable	16,215
Capital leases payable	5,375
Bonds payable	190,000
Due to primary government	<u>1,218,874</u>
Total current liabilities	<u>1,848,034</u>
<u><b>NONCURRENT LIABILITIES</b></u>	
Bonds payable	6,525,000
Capital leases payable	<u>15,141</u>
Total noncurrent liabilities	<u>6,540,141</u>
<u><b>TOTAL LIABILITIES</b></u>	<u>8,388,175</u>
<u><b>NET ASSETS</b></u>	
Invested in capital assets, net	23,530
Restricted for debt service	273,869
Unrestricted	<u>(869,980)</u>
<u><b>TOTAL NET ASSETS</b></u>	<u>\$ 572,581</u>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Functions</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenues and Changes in Net Assets</u>
Administration	\$ 1,162,976	\$ 18,900	\$ 5,411	\$ 8,580	\$ (1,130,085)
Marketing and promotions	347,367	346,512	-	-	(855)
Public Space operations	1,578,228	-	313,301	-	(1,264,927)
Public safety	718,740	-	227,435	-	(491,305)
Special and other projects	-	-	-	-	-
Economic development	34,844	-	-	-	(34,844)
Canal/District-wide	857,828	-	-	-	(857,828)
Interest on long-term debt	367,738	-	-	-	(367,738)
<b>Total activities</b>	<b><u>\$ 5,067,721</u></b>	<b><u>\$ 365,412</u></b>	<b><u>\$ 546,147</u></b>	<b><u>\$ 8,580</u></b>	<b><u>(4,147,582)</u></b>
<b><u>General Revenue</u></b>					
Ad valorem taxes					5,464,988
Interest on Ad valorem tax investments					84,736
Interest on bond investments					140,123
Interest on bank accounts					2,610
Gain on insurance proceeds					156,231
Other					11,085
<b>Total general revenues</b>					<b><u>5,859,773</u></b>
<b><u>Change in Net Assets</u></b>					<b>1,712,191</b>
<b><u>Net Deficit, Beginning of Year (restated)</u></b>					<b><u>(1,139,610)</u></b>
<b><u>Net Assets, End of Year</u></b>					<b><u>\$ 572,581</u></b>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2005**

**ASSETS**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash:				
Cash and temporary cash investments	\$ 204,498	\$ -	\$ 7,637	\$ 212,135
Held by the Board of Liquidation, City Debt	18,787	-	-	18,787
Cash and temporary cash investments				
held by the Board of Liquidation (restricted)	-	273,869	-	273,869
Held by the City of New Orleans	406,005	-	-	406,005
Investments held by the Board of Liquidation, City debt-at amortized cost	6,522,856	-	-	6,522,856
Receivables				
Ad valorem taxes (net of allowance for uncollectible taxes of \$91,430)	630,251	-	-	630,251
Accrued interest	66,180	-	-	66,180
Insurance receivable	233,800	-	-	233,800
Due from other governments	400,497	-	-	400,497
Other receivables	78,418	-	-	78,418
Due from City of New Orleans	-	-	1,376	1,376
Prepaid expenses	21,038	-	-	21,038
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 8,582,330</u></b>	<b><u>\$ 273,869</u></b>	<b><u>\$ 9,013</u></b>	<b><u>\$ 8,865,212</u></b>

**LIABILITIES AND FUND BALANCES**

<b><u>LIABILITIES</u></b>				
Accounts and other payables	\$ 393,869	\$ -	\$ -	\$ 393,869
Due to the City of New Orleans, net	1,218,874	-	-	1,218,874
Due to component unit	1,376	-	-	1,376
Deferred revenues	349,640	-	-	349,640
<b><u>TOTAL LIABILITIES</u></b>	<b><u>1,963,759</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,963,759</u></b>
 <b><u>FUND BALANCES</u></b>				
Reserved for Canal Street/District-wide projects	3,633,019	-	-	3,633,019
Reserved for debt service	-	273,869	-	273,869
Undesignated	2,985,552	-	9,013	2,994,565
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>6,618,571</u></b>	<b><u>273,869</u></b>	<b><u>9,013</u></b>	<b><u>6,901,453</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 8,582,330</u></b>	<b><u>\$ 273,869</u></b>	<b><u>\$ 9,013</u></b>	<b><u>\$ 8,865,212</u></b>

The accompanying notes are an integral part of the 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 OF THE GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

<b><u>TOTAL GOVERNMENTAL FUND BALANCES</u></b>	\$	6,901,453
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		177,231
Less: Accumulated depreciation		(153,701)
Other assets		9,231
Revenues in the governmental funds that do not provide current financial resources are reported as revenues in the statements of activities		325,939
Long-term liabilities are not due and payable in current year and therefore not reported in the governmental funds:		
Capital lease payable		(20,516)
Compensated absences		(16,215)
Bonds payable		(6,715,000)
Add: Deferred charges for bond issuance costs		64,159
		64,159
<b><u>NET ASSETS</u></b>	<b>\$</b>	<b><u>572,581</u></b>

The accompanying notes are an integral part of the 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, 2005**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Ad valorem taxes	\$ 5,464,988	\$ -	\$ -	\$ 5,464,988
New Orleans Area Tourism and Economic Development Fund	227,434	-	-	227,434
Department of Housing and Urban Development	1,350	-	-	1,350
Insurance	233,800	-	-	233,800
Interest on investments	224,859	-	-	224,859
Interest on cash and temporary cash investments	2,591	-	19	2,610
Charges for services	-	-	346,513	346,513
Management fees	18,900	-	-	18,900
Other	11,085	-	-	11,085
<b>TOTAL REVENUES</b>	<b>6,185,007</b>	<b>-</b>	<b>346,532</b>	<b>6,531,539</b>
<b>EXPENDITURES</b>				
Administration	1,173,634	-	-	1,173,634
Marketing and promotions	16,052	-	331,300	347,352
Public space operations	1,578,228	-	-	1,578,228
Public safety	717,282	-	-	717,282
Special and other projects	-	-	-	-
Economic development	34,182	-	-	34,182
Canal/District-wide	857,828	-	-	857,828
Capital outlays	27,330	-	-	27,330
Principal on bonds	-	180,000	-	180,000
Interest on long-term debt	-	367,738	-	367,738
<b>TOTAL EXPENDITURES</b>	<b>4,404,536</b>	<b>547,738</b>	<b>331,300</b>	<b>5,283,574</b>
<b>EXCESS OF REVENUE(DEFICIT) OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES(USES)</b>				
	1,780,471	(547,738)	15,232	1,247,965
Other financing sources (uses):				
Operating transfer out	(547,738)	-	-	(547,738)
Operating transfer in	-	547,738	-	547,738
Other financing sources (uses)	(547,738)	547,738	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,232,733</b>	<b>-</b>	<b>15,232</b>	<b>1,247,965</b>
<b>FUND BALANCES</b>				
<b>BEGINNING OF THE YEAR (restated)</b>	<b>5,385,838</b>	<b>273,869</b>	<b>(6,219)</b>	<b>5,653,488</b>
<b>END OF THE YEAR</b>	<b>\$ 6,618,571</b>	<b>\$ 273,869</b>	<b>\$ 9,013</b>	<b>\$ 6,901,453</b>

The accompanying notes are an integral part of the 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, 2005**

Net change in fund balances	\$ 1,247,965
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	325,942
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.	(9,585)
Compensated absences	6,368
Capital additions	27,330
Payments on capital lease	14,865
Loss on disposal of fixed assets	(77,569)
Amortization of bond issue costs	(3,125)
Payments on bonds payable	<u>180,000</u>
Change in net assets	<u>\$ 1,712,191</u>

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

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

**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 Lake Pontchartrain 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 eleven members for governance of the District.

The Financial Reporting Entity

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

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

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

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

1. **Summary of Significant Accounting Policies (Continued)**

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.

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

**1. Summary of Significant Accounting Policies (Continued)**

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.

**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 are recorded only when payment is due.*

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.

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.

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
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NOTES TO FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies (Continued)**

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 recognized as revenue when the related costs are incurred.

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 expenses under its government-mandated and voluntary non-exchange transactions as follows:

- The District recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- 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 FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies (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 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 consist of United States treasury bills and certificates of deposit and are usually for periods of ninety (90) days to one year. Such investments are valued at amortized cost which approximates market and interest earned thereon is recorded when earned.

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

**Receivables**

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

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

**1. Summary of Significant Accounting Policies (Continued)**

Bad Debts

An allowance for uncollectible taxes has been established for ad valorem taxes receivable and equals approximately thirteen 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 by the District.

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 nearest month of the year in which the capital assets is purchased. Based on its own experience, the District established the following estimated useful lives for each asset class:

Assets	Estimated Useful Lives
Public Works	3 years
Motor Vehicles	5 years
Computer Equipment	5 years
Office Equipment	7 years
Office Furniture and Fixtures	7 years
Promotional Equipment	5 years
Computer Software	3 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 recorded as an expenditure.

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 prime interest rate plus one percent or, if available, the interest rates stated in the lease.

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

**1. Summary of Significant Accounting Policies (Continued)**

**Compensated Absences**

Employees generally receive annual vacation pay at the following levels: Full-time employees employed six through twelve months receive (five) 5 days; full-time employees employed one through five years receive ten (10) days; full-time employees employed six through ten years receive fifteen (15) days; full-time employees employed eleven through nineteen years receive twenty (20) days; and full-time employees for more than twenty years receive thirty (30) days. All accrued vacation pay is fully vested. Vacation can be accumulated and carried forward up to thirty (30) days at each year end.

All full-time employees receive sick leave of ten (10) days annually. Sick leave can be accumulated up to sixty (60) days, but does not vest and any unused amounts are forfeited upon retirement or termination of employment.

While vacation leave is accrued when earned for government-wide financial statements, it is recognized when paid in the governmental fund financial statements. Sick pay is recognized when paid for both government-wide and governmental fund financial statements.

**Employee Benefits**

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

**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 expenses 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 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.

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
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NOTES TO FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies (Continued)**

In the fund level financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized in 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.

**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 Items**

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**

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

**Net Assets**

Net assets are displayed in three components in 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."

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
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NOTES TO FINANCIAL STATEMENTS

**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 2005, deposits in excess of FDIC insurance were collateralized by the securities described above.

At December 31, 2005, the Board as fiscal agent of the District held on their behalf, cash and temporary cash investments in the amount of \$292,656 and securities consisting of certificates of deposit and United States Treasury Bills as follows:

<u>Description</u>	<u>Rate</u>	<u>Maturity Date</u>	<u>Cost</u>	<u>Approximate Market Value</u>
Certificate of Deposit	3.75%	01/26/06	\$ 145,000	\$ 145,000
Certificate of Deposit	3.81%	02/02/06	205,000	205,000
Certificate of Deposit	3.87%	02/16/06	545,000	545,000
Certificate of Deposit	4.25%	04/27/06	1,220,000	1,220,000
Certificate of Deposit	4.27%	06/01/06	305,000	305,000
Certificate of Deposit	3.75%	01/26/06	238,000	238,000
Certificate of Deposit	3.81%	02/02/06	365,000	365,000
Certificate of Deposit	3.86%	02/09/06	1,000,000	1,000,000
Certificate of Deposit	4.25%	06/29/06	889,000	889,000
<b>Total Certificates of Deposit</b>			<b>\$ 4,912,000</b>	<b>\$ 4,912,000</b>

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

**2. Investments (Continued)**

Description	Rate	Maturity Date	Cost	Approximate Market Value
US Treasury Bill	3.72%	02/09/06	\$ 28,000	\$ 28,000
US Treasury Bill	3.72%	02/16/06	331,000	331,000
US Treasury Bill	3.87%	02/23/06	90,000	90,000
US Treasury Bill	3.91%	03/23/06	29,000	29,000
US Treasury Bill	3.65%	02/09/06	1,162,000	1,162,000
			<u>1,640,000</u>	<u>\$ 1,640,000</u>
Less unamortized discount			(29,144)	
Total US Treasury Bills			<u>1,610,856</u>	
 Total			 <u>\$ 6,522,856</u>	

Investments consist of tax proceeds in the amount of \$2,890,298 and bond proceeds of \$3,632,558.

Investments at December 31, 2005, 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, 2005, on the above investments was \$66,180.

**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, 2005, the carrying amount of the District's deposits was \$212,135 and the bank balance was \$406,428. Of these amounts, \$176,700 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, 2005 was \$18,787.

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

**3. Cash and Temporary Cash Investments (Continued)**

Restricted cash and temporary cash investments at December 31, 2005, consisted of amounts held for debt service obligations and funds held in escrow by the City of New Orleans for protest tax payments.

**4. Real Estate Escrow Fund**

Certain property owners made tax payments under protest which had not been resolved at December 31, 2005, in the amount of \$419,164. As of December 31, 2005, these funds are held in escrow by the City of New Orleans.

**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.

On April 7, 2001, pursuant to the Special Election held in accordance with Article VII, Section 23(c) of the 1974 Louisiana Constitution, the registered voters of the City of New Orleans approved the continued authority of the District to levy a property tax not to exceed 22.97 mills for an additional twenty five (25) years beginning with the year 2005 and ending with the year 2029.

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 ten years.

The District levied 15.9 mills on real property within its area for 2005. 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 2005, collected during 2005, or expected to be collected in 2006 are recognized as revenues in 2005. Taxes levied for 2006, but collected in 2005, are reflected as deferred revenues.

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

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

**6. Capital Assets**

A summary of changes in capital assets follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Office Furniture	\$ 77,093	\$ -	\$ (75,933)	\$ 1,160
Computer Equipment	73,153	25,195	(53,743)	44,605
Office Equipment	18,692	455	(16,195)	2,952
Promotional Equipment	251,946	-	(251,946)	-
Motor Vehicles	29,197	-	(15,644)	13,553
Public Works Property	252,102	1,680	(138,820)	114,962
Capital Leases	91,686	-	(91,686)	-
Subtotal:	793,869	27,330	(643,967)	177,232
Less accumulated depreciation:	(710,517)	(9,585)	566,400	(153,702)
Total	<u>\$ 83,352</u>	<u>\$ 17,745</u>	<u>\$ (77,567)</u>	<u>\$ 23,530</u>

Depreciation expense was charged to functions as follows:

Administration	\$ 3,223
Marketing and promotions	44
Public safety	4,344
Public space operations	<u>1,974</u>
Total	<u>\$ 9,585</u>

**7. Due to Primary Government**

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, 2005, reflect the net of various transactions to include costs incurred and/or paid but not billed to the City of New Orleans. As of December 31, 2005 the balance due to the City of New Orleans was \$1,218,174.

**8. Deferred Revenues**

Deferred revenues include \$21,101 of grant funds received in 2005 for the Hospitality/Public Safety Ranger Program and \$2,600 of unspent funds from the Canal Street Development Corporation. There was no deferred revenue related to taxes at December 31, 2005 as taxes were not levied until 2006 as a result of Hurricane Katrina.

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

**9. Reserved Fund Balance**

A portion of the December 31, 2005 fund balance has been reserved for debt service and Canal Street and District-wide infrastructure improvements. The subsequent year's budget totals \$6,842,575 per the year 2006 approved annual plan. A detailed budget follows:

Description	Amount
Administration	\$ 887,194
Marketing	64,000
Public Space Operations	
Infrastructure	338,700
Cleaning and Maintenance	975,000
Landscape Maintenance	125,000
Street Furnishings and Other	30,180
Public Safety	
Hospitality / Public Safety Rangers	152,736
Public Safety	302,000
Economic Development	
Façade Incentive	80,000
Research and Database Management	30,000
Canal Street	100,000
District-Wide	35,000
Administration/Meetings	4,000
Medical District	500
Presentation	30,000
Planning Initiatives	10,000
Business Retention & Recruitment	50,000

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
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NOTES TO FINANCIAL STATEMENTS

**9. Reserved Fund Balance (Continued)**

Infrastructure	
District-Wide Improvements	133,973
Canal Street Improvements	3,227,072
Debt Service	190,000
Capital Purchases	<u>77,220</u>

Total budgeted expenditures for 2006	*	<u>\$6,842,575</u>
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\*Includes bond proceeds activity

**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, regardless of any contribution from employees. All full-time employees twenty-one years of age and over are eligible to participate in the plan. Vesting is over a five year period with 20% vesting per year of service.

The plan's effective date was January 1, 1993. All contributions made to the plan are the property of the plan and the participating employees. Management of the plan's assets includes the ability to establish and amend plan provisions and any costs related to its operations, and 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 2005 was \$24,947 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, 2005, was \$731,913.

**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 in the name of and owned by each employee. Quarterly premiums are paid by the District to General American for which First Financial Resources acts as agent. The amount of insurance provided each employee is approximately twice their annual salary. Premiums paid in 2005 by the District for these employee policies total \$7,026.

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
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NOTES TO FINANCIAL STATEMENTS

**11. Commitments and Contingencies**

Capital Leases Payable

Future minimum lease payments under capital leases as of December 31, 2005, for each of the next five years are:

Year Ending	Amount
2006	\$ 5,843
2007	6,374
2008	6,374
2009	4,780
Total Minimum Lease Payments	23,371
Less: Amount Representing Interest	(3,215)
	\$ 20,156

In the absence of a stated rate within the lease agreements, interest rates on capitalized leases are imputed based on the federal prime rate at the inception of the lease plus one percent.

Assets purchased through a capital lease have been fully depreciated as of December 31, 2005.

Operating Leases

Prior to Hurricane Katrina, the District leased its space at 1010 Common Street. Due to the hurricane, the office was damaged the District relocated. In March 2006, the District leased office space at 201 St. Charles Avenue for the period April 2006 through March 2016.

Future minimum rental payments are as follows:

Year Ending	Amount
2006	\$ 42,000
2007	56,000
2008	65,253
2009	68,337
2010	70,074
Thereafter	394,089
Totals	\$ 695,753

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
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NOTES TO FINANCIAL STATEMENTS

**11. Commitments and Contingencies (Continued)**

Office space rental expenditures were \$75,017 during 2005.

Funding

The District is beneficiary to a pass-through appropriation under the U.S. Department of Transportation. Of the initial \$500,000 appropriation, \$86,300 was been expended through December 31, 2005. Also, the District received an appropriation from the U.S. Department of Housing and Urban Development in the amount of \$1,350. The full amount was recognized in 2005.

Cooperative Endeavor 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, as amended and restated in the June 16, 2004 Cooperative Endeavor Agreement, to assist, if warranted, certain capital improvements to Canal Street, for an amount not to exceed \$300,000 annually.

The Board of Commissioners for the District adopted a resolution to authorize the June 16, 2004 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 interest earned on 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. Under this agreement, \$195,849 has been accrued at December 31, 2005 by the District as payable to the Canal Street Development Corporation.

**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. As of the report date, it is the opinion of management and counsel that the results of any of the various litigations against the District cannot be determined.

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
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**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.

**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.

**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.

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. At December 31, 2005, 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. The interest rate on the bonds range from 4.20% to 6.60%.

On July 19, 2006, the District and the State of Louisiana entered into a Cooperative Endeavor Agreement whereby the State, through the Gulf Opportunity Zone Act of 2005 and its implementation through Act 41 of the Louisiana Legislature, provided debt assistance in the amount of \$1,600,152 related to the Limited Tax Bonds, series 2001. The debt assistance was due to the disruption of tax bases and revenue streams caused by Hurricanes Katrina and Rita. The agreement matures in twenty years with no principal or interest due during the first five years of the loan. After the expiration of the initial five year period, principal and interest at a rate of 4.64% will be repaid semi-annually over the remaining fifteen year period.

**17. Concentration of Credit Risk**

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

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

**18. Changes in Noncurrent Liabilities**

Activity in the District's long-term debt for the year ended December 31, 2005, follows:

Long-Term Debt	Beginning Balance	Additions	Retirements	Ending Balance	Current Portion
DDD Limited Tax Bonds Series 2001	\$ 6,895,000	\$ -	\$ (180,000)	\$ 6,715,000	\$ 190,000
Compensated absences	22,583	-	(6,368)	16,215	16,215
Capital leases	35,381	-	(15,225)	20,156	5,375
	<u>\$ 6,952,964</u>	<u>\$ -</u>	<u>\$ (201,593)</u>	<u>\$ 6,751,371</u>	<u>\$ 211,590</u>

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

Year	Principal	Interest
2006	\$ 190,000	\$ 355,858
2007	195,000	343,318
2008	205,000	330,448
2009	215,000	316,918
2010	225,000	302,728
2011-2015	1,305,000	1,305,207
2016-2020	1,680,000	948,162
2021-2025	2,185,000	477,005
2026	515,000	26,265
Total	6,715,000	<u>\$ 4,405,909</u>
Less Current Portion	<u>(190,000)</u>	
Non-Current Portion	<u>\$ 6,525,000</u>	

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

**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 the District issued, as well as any debt which has been authorized but not yet issued.
- 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 year including specifically, the millage that is pledge to the payment of the bonds. Millage rate for 2005 was 15.9 mills.
- 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 2005 was \$5,464,987 and collection was \$5,017,987.
- 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.

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

**20. Deferred Charges**

At December 31, 2005, deferred charges consisted of the unamortized portion of the bond issuance cost. The following is an analysis:

Description	Amount
Bond Cost As of January 1, 2005	\$ 67,284
Less: Current Year Amortization	(3,125)
	64,159
Current Portion	(3,125)
Non-Current Portion	\$ 61,034

**21. 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 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.

**22. 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, 2005.

**23. Prior Period Adjustments**

The General Fund's financial statements were impacted as follows:

Fund balance at December 31, 2004 as previously reported	\$ 5,285,530
Adjustment to ad valorem tax receivable net of adjustment to ad valorem revenue	(198,386)
Adjustment to balance due primary government	157,824
Adjustment to deferred revenue	140,870
	\$ 5,385,838

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

**23. Prior Period Adjustments (continued)**

The Statement of Activities beginning net deficit was impacted as follows:

Net deficit at December 31, 2004 as previously reported	\$ (1,099,048)
Adjustment to ad valorem tax receivable net of adjustment to ad valorem revenue	(198,386)
Adjustment to balance due primary government	<u>157,824</u>
	<u>\$ (1,139,610)</u>

The prior period adjustments were due to the understatement of the previous year's ad valorem tax receivable of \$199,346 net of the overstatement of prior year ad valorem revenue of \$397,732, the overstatement of the balance due to the primary government by \$157,824 and the overstatement of prior year deferred revenue by \$140,870.

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS**  
**SCHEDULE OF REVENUES AND EXPENSES—BUDGETED AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>				
Internal sources (Concerts, State, Federal, etc.)	\$ 543,920	\$ 543,920	\$ 1,174,801	\$ 630,881
Ad valorem taxes	<u>4,980,525</u>	<u>4,980,525</u>	<u>5,464,988</u>	<u>484,463</u>
Total operating revenues	5,524,445	5,524,445	6,639,789	1,115,344
<b>Operating Expenses:</b>				
Public space operations	2,390,417	2,390,417	1,576,254	(814,163)
Public safety	1,016,500	1,016,500	714,396	(302,104)
Economic development and planning	195,220	195,220	34,844	(160,376)
Marketing/events	98,040	98,040	347,323 *	249,283
Administration	<u>1,169,865</u>	<u>1,169,865</u>	<u>1,159,753</u>	<u>(10,112)</u>
Total operating expenses	<u>4,870,042</u>	<u>4,870,042</u>	<u>3,832,570</u>	<u>(1,037,472)</u>
Net operating income	<u>654,403</u>	<u>654,403</u>	<u>2,807,219</u>	<u>2,152,816</u>
<b>Non-Operating Revenue:</b>				
Interest on bond proceeds	<u>16,500</u>	<u>16,500</u>	<u>140,123</u>	<u>123,623</u>
Total non-operating revenue	<u>16,500</u>	<u>16,500</u>	<u>140,123</u>	<u>123,623</u>
<b>Non-Operating Expenses:</b>				
Canal Street/District-wide capital improvements	<u>2,240,305</u>	<u>2,240,305</u>	<u>857,828</u>	<u>(1,382,477)</u>
Total non-operating expense	<u>2,240,305</u>	<u>2,240,305</u>	<u>857,828</u>	<u>(1,382,477)</u>
Earnings (loss) before interest, depreciation and amortization	(1,569,402)	(1,569,402)	2,089,514	3,658,916
Interest expense (debt service)	183,869	183,869	367,738	(187,439)
Depreciation/amortization	<u>50,000</u>	<u>50,000</u>	<u>9,585</u>	<u>(9,747)</u>
Net income (loss)	<u>\$ (4,480,610)</u>	<u>\$ (4,480,610)</u>	<u>\$ 1,712,191</u>	<u>\$ 2,764,954</u>

\* - Concert expenditures budgeted net of revenues.

The accompanying notes are an integral part of the 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, 2005**

	<u>Downtown Development Unlimited</u>
<b><u>ASSETS</u></b>	
Assets	
Cash and temporary cash investments	\$ 7,637
Due from primary unit	<u>1,376</u>
Total assets	<u>\$ 9,013</u>
<b><u>FUND BALANCE</u></b>	
Fund Balance	
Undesignated	<u>\$ 9,013</u>
Total fund balance	<u>\$ 9,013</u>

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

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE—NONMAJOR GOVERNMENTAL FUND**  
**SPECIAL REVENUE FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Downtown Development Unlimited</u>
<b>Revenue:</b>	
Charges for services	\$ 346,513
Interest on cash and temporary cash investments	<u>19</u>
Total revenue	346,532
<b>Expenditures:</b>	
Administration	<u>331,300</u>
Total expenditures	<u>331,300</u>
Excess of revenue over expenditures	15,232
<b>Fund balance (deficit):</b>	
Beginning of year	<u>(6,219)</u>
End of year	<u><u>\$ 9,013</u></u>

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

**EXHIBIT A**

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

**ASSESSED VALUE OF TAXABLE PROPERTY IN  
THE DISTRICT AND HOMESTEAD EXEMPTION  
2006 TAX ROLLS  
(UNAUDITED)**

<u>District</u>	<u>Real Property</u>	<u>Homestead Exemption</u>
0	\$ 2,144,080	\$ -
1	\$ 307,085,113	\$ 2,830,571
2	\$ 42,247,015	\$ -

\*The assessed value and homestead exemption covers Downtown Development Districts' portion.  
District 0 includes all public service rolls.

SOURCE: City of New Orleans, Department of Treasury

See independent auditors' report on supplementary information.

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

**TEN LARGEST AD VALOREM TAXPAYERS  
2006 TAX YEAR  
(UNAUDITED)**

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
Harrab's Entertainment	Casino	\$ 22,299,844
C S & M Associates	Hotel	19,803,238
International Rivercenter	Shopping Center;Hotel	19,058,263
Marriott Hotel	Hotel	14,219,350
SHC New Orleans LLC	Hotel	11,246,932
EOP New Orleans LLC	N/A	11,000,203
Metropolitan Life	Office Building	9,899,290
LKBOC	N/A	9,574,600
1star CTLI, LP	N/A	9,327,174
East Skelly LLC	N/A	7,166,306
<b>Total</b>		<b>\$ 133,595,200</b>

SOURCE: City of New Orleans, Department of Treasury

See independent auditors' report on supplementary information.

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

**ASSESSED VALUE OF PROPERTY BY  
CLASSIFICATION FOR THE DISTRICT  
2006  
(UNAUDITED)**

	(0)	District (2)	(3)
Land assessment	\$ 490,750	\$ 54,255,395	\$ 7,002,830
Improvement assessment	\$ 1,653,330	\$ 255,660,289	\$ 35,244,185
Sub-total	\$ 2,144,080	\$ 309,915,684	\$ 42,247,015
Less: Homestead exemption	\$ -	\$ 2,830,571	\$ -
Net taxable	\$ 2,144,080	\$ 307,085,113	\$ 42,247,015

\*The net taxable value covers the Downtown Development District's portion and not the respective districts in their entirety. District 0 includes all public service rolls.

SOURCE: City of New Orleans, Department of Treasury

See independent auditors' report on supplementary information.

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

**TAX COLLECTION RECORD  
(UNAUDITED)**

Year	Current Year	Prior Year	Interest on Taxes	Total	Millage Rate
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
2004	5,011,230	162,949	-	5,174,179	15.90
2005	4,919,385	60,373	77,169	5,056,927	15.90

SOURCE: Annual Reports, Board of Liquidation.

See independent auditors' report on supplementary information.



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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, 2005, and have issued our report thereon dated May 7, 2007. 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 no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

### 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 2005-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses.

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 United States Department of Housing and Urban 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.

*Postthumate + Netterville*

Metairie, Louisiana

May 7, 2007

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditor's report issued: Unqualified

**Internal Control Other Financial Reporting:**

- Material weakness(es) identified No
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted: No

***Federal Awards***

**Internal Control Over Major Programs:**

- Material weakness(es) identified? N/A
- Reportable condition(s) identified that are not considered to be material weaknesses? N/A

Type of auditor's report issued on compliance for major programs. N/A

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? 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  
FOR THE YEAR ENDED DECEMBER 31, 2005

**Section II: Financial Statement Findings**

Reference Number

2005-01

Criteria

The management of the District should have direct communications with the City of New Orleans in order to obtain a correct accounting of the ad valorem taxes received from the City of New Orleans.

Condition

The District continues to have difficulties in securing timely and accurate information in connection with its share of ad valorem tax assessments, collections, and disbursements from the City of New Orleans. This information for 2005 was not received until April of 2007.

Cause

The District did not have a system to facilitate the timely receipt of ad valorem tax information from the City of New Orleans.

Effect

The inability of the District to receive timely information regarding ad valorem taxes from the City of New Orleans resulted in the delay in the issuance of the District's audited financial statements.

Recommendation

It is recommended that the management of the District have continuous dialogue with the City of New Orleans administrators in order to obtain ad valorem tax information and other information from the City of New Orleans on a timely basis.

Management's Response

The management of the District will continue to work closely with the City of New Orleans in order to formulate a plan of action whereby ad valorem tax information and other information is received on a timely basis to facilitate accurate and timely financial reporting.

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
THE CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**Section III: Federal Award Findings and Questioned Costs**

No federal award findings and questioned costs were reported for the year ended December 31, 2005.

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
THE CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005

**Section IV: Status of Prior Year Findings**

**Reference Number**

**2004-01, 2003-01**

**Recommendation**

It was 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 all required reports.

**Current Status**

Management continues to work with the City of New Orleans to develop a stronger relationship that will afford the District the opportunity to request and receive accurate and necessary information on a timelier basis.

The District's management has previously presented a proposal to the City of New Orleans, Department of Finance which would simplify financial transactions; clearly document the mutually agreed to procedures for the transfer of information and funds between the District, the City of New Orleans, and the Board of Liquidation; and give the District electronic access on a monthly basis to City of New Orleans financial records related to District tax receipts, receivables and other pertinent information. Management of the District is waiting for a response from the City of New Orleans regarding the proposal. The aftermath of Hurricane Katrina has contributed to the City not considering this a top priority as it struggles with personnel shortages and funding crises.

**Reference Number**

**2004-02**

**Recommendation**

It was recommended that the District Continue in its dialogue with the City of New Orleans' administrators and others to secure all required financial data on a timely basis.

**Current Status**

Management continues to work with the City of New Orleans to develop a stronger relationship that will afford the District the opportunity to request and receive accurate and necessary information on a timelier basis.

The District's management has previously presented a proposal to the City of New Orleans, Department of Finance which would simplify financial transactions; clearly document the mutually agreed to procedures

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
THE CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005

for the transfer of information and funds between the District, the City of New Orleans, and the Board of Liquidation; and give the District electronic access on a monthly basis to City of New Orleans financial records related to District tax receipts, receivables and other pertinent information. Management of the District is waiting for a response from the City of New Orleans regarding the proposal. The aftermath of Hurricane Katrina has contributed to the City not considering this a top priority as it struggles with personnel shortages and funding crises.

**Reference Number**

2004-03

**Recommendation**

It was recommend that management of the District re-evaluate its current internal control processes and procedures to ensure that all necessary policies and procedures are adhered to. Also, a "Memorandum of Understanding" with its external parties (City of New Orleans) etc., should be executed to provide for a formalized and documented understanding of all processes, policies, procedures and practices to ensure consistency in their application. Furthermore, management should implement a monitoring system to ensure the periodic reconciliation of all significant subsidiary ledgers accounts to their respective general ledger control accounts to include overall compliance with established policies.

**Current Status**

By mid-2007, management expects to have a fully revised accounting policies and procedures manual. This revised manual will include detailed policies that will improve the internal control systems within the District to the extent possible in a small organization that does not have the resources or need to increase the current administrative staffing level. Furthermore, this revised manual, will formalize many current practices adopted by the District since July 1, 2004.

**Reference Number**

2003-02

**Recommendation**

It was recommend that management of the District re-evaluate its current internal control processes and procedures to ensure that management establish an outstanding check policy and a procedure that requires the periodic reconciliation of all significant subsidiary ledger accounts to the respective general ledger control accounts.

**Current Status**

Management of the District has adopted internal control policies whereby checks in excess of ninety (90) days outstanding are investigated.

THE DOWNTOWN DEVELOPMENT DISTRICT OF  
THE CITY OF NEW ORLEANS  
SUMMARY SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2005

An exit conference was held on May 21, 2007 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

Tracie Boutte -- Chairperson Audit and Finance Committee  
Judy Barrasso -- Chairperson Board of Commissioners  
Kurt Weigle -- Executive Director  
Anthony Carter -- Finance Director

POSTLETHWAITE & NETTERVILLE, APAC

Albert J. Richard III, CPA -- Partner  
Paul V. Pechon, CPA -- Associate