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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

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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 7/30/08

**P&N** Postlethwaite  
& Netterville

A Professional Accounting Corporation

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

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007**

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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, 2007, 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, 2007, 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 June 25, 2008, 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or compliance. 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.

The Management's Discussion and Analysis on pages v through viii and the Budgetary Comparison Information on page 28, 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.

*Postlethwaite + Netterville*

Metairie, Louisiana

June 25, 2008

**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**

Liabilities exceeded assets at the close of the most recent fiscal year by \$602,022 as outlined on the statement of net assets.

The District's total net assets decreased by \$669,264 during 2007 as opposed to an increase of \$1,074,197 in the prior year, prior to restatement. The decrease in net assets was primarily related to an increase in operational expenses related to Canal Street and District-Wide improvements for 2007 and 2006, which were \$2,505,534 and \$1,780,868, respectively. The expenses related to Canal Street and District-Wide improvements for 2007 and 2006 were \$2,505,534 and \$1,780,868, respectively. Total general revenues increased \$596,593 from 2006 to 2007. Ad valorem tax revenue increased by \$483,982 due to increased property tax assessments after Hurricane Katrina. In 2007 FEMA funding was \$9,390 as opposed to \$312,610 in 2006.

At December 31, 2007, an adjustment was made to the ad valorem receivable as was previously reported at December 31, 2006. The net assets as previously reported of \$1,726,992 were reduced by \$1,659,750 to \$67,242 due to an adjustment to the ad valorem receivable. The total adjustment of \$1,659,750 represents an overstatement of ad valorem revenue of \$940,252 for the year ended December 31, 2006 and \$719,408 for the years ended prior to and including December 31, 2005. The change in net assets as previously reported of \$1,074,197 was reduced by \$940,252 to \$133,945 (as restated) due to the adjustment to the recording of the ad valorem activity. The adjustment was due to incorrect information provided from the City of New Orleans relating to ad valorem amounts collected and the related accounts receivable balance outstanding at December 31, 2006.

In 2007 and 2006 the District received State funding from the hotel/motel tax revenue stream of \$0 and \$21,101, respectively, to offset the expenses for the Hospitality Ranger Program. The decrease in revenues is due to the grant not being renewed in 2006.

In 2006, the District received a grant of \$100,000 for the Canal Street Holiday Lighting Project. This project was not intended to produce an operating profit as the District incurred expense in excess of the funding for the holiday lighting.

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

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$6,407,615, a decrease of \$265,671 from the restated prior year balance of \$6,673,277. Of the total fund balances, \$2,002,422 was designated for the Canal Street and District-wide projects and \$273,869 was reserved for debt service. Balances that are reserved 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 2007 operating budget. The remaining fund balance of \$4,131,324 was undesignated.

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).

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

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.

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 27 of the accompanying audit report.

**Other Information**

Required supplementary information can be found in pages 31 through 34 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the audited financial statements.

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

**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.

**Final Amended Budget**

The final budget and actual comparisons are on page 28. The variations in the budget versus the actual balances reflect unanticipated revenues resulting in a variance of \$690,068 in revenues. Much of this variance is due to very conservative budgeting because of uncertainty regarding ad valorem tax collections.

In total, actual expenditures were \$216,938 less than the final budgeted expenditures. This decrease can be contributed in large part to the discontinuance of sanitation expenditures, as these services are not being provided as previously contracted for, and the delay in use of funds for economic development. Economic development initiatives for façade improvements saw a level of usage approximately equal to the number of projects planned, but with a per project cost of about 50% of the amount projected for a total savings of \$94,000. Additionally the delay in the anticipated start of the Parking and Mobility Study required that \$55,000 in expenditures be delayed until 2008 along with about \$40,000 due to a lag implementing a retail strategy for Canal St.

**Capital Asset and Debt Administration**

At December 31, 2007 and 2006, the District had \$182,258 and \$44,193 respectively, invested in capital assets, net of accumulated depreciation consisting principally of office equipment and leasehold improvements. The District moved into new office space during 2007 and purchased new office equipment and leasehold improvements. See page 19 of the notes to the financial statements for a detail composition of capital assets.

At December 31, 2007, the District had total bond debt outstanding of \$6,330,000 compared with \$6,525,000 at December 31, 2006. The annual payment of principal of \$195,000 on outstanding bonds was the sole source for the change in this balance. The District also incurred new debt of \$538,318 as part of a Cooperative Endeavor Agreement with the State of Louisiana. See page 24 of the notes to the financial statements for a description of the outstanding debt.

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

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

There are several uncertainties, although less than in the previous two years, with the District as well as the City of New Orleans related to property tax revenue during the next several years. The District will continue to budget property tax revenue with the latest information available from the City of New Orleans.

The District has been able to reduce many expenditures and eliminate others following Hurricane Katrina. The District foresees sufficient revenues to allow for addressing its primary objectives and continuing development of new programs as needed.

**Significant Events**

Hurricane Katrina continued to affect the District well into 2007. The District saw property tax assessments increase during 2007 and again after the reassessment of 2008, which should lead to a continuing trend of growth in property tax revenues in future years. The Canal Street improvement project was completed in 2007 and the District is in the process of closing the project with the City of New Orleans and the Canal Street Development Corporation. The District attempted an initiative during the 2008 Budget approval process to leverage some of its additional taxing potential to begin the overhaul of the sidewalks in Downtown. Despite significant support from stakeholders throughout the district for our plan to only partially roll-back the property tax millage after the reassessment in order to support new debt for the sidewalk project, the City Council refused to approve any additional millage funding. The District is still committed to this objective and will continue to seek alternatives for funding the necessary improvements.

The continued success of the District is based upon the success of the City of New Orleans and how it rebuilds after the destruction of Hurricane Katrina. The re-population of the City of New Orleans along with the increase in developments within the District will increase the property tax base and provide funding that both the City and the District need to provide improvements and continue development. According to estimates prepared by GCR & Associates, the metropolitan New Orleans area was at 87% of pre-Katrina levels while New Orleans was at 65% as of December 31, 2007. Repopulation rate in the City of New Orleans occurred at an average of 3400 per month throughout 2007, but has shown a slight slowdown in the first half of 2008; however the District has continued to show a very strong rate of repopulation.

The District continues to support a number of development objectives which are and will continue to have a direct impact on the vitality of Downtown. The hotel industry has seen strong indications of redevelopment, such as the Roosevelt (Fairmont), Hyatt Regency and Marriot renovations. The District has provided support for the LSU/VA Hospital project which recently received formal approval from the State and will act as a catalyst for the development of an entire bioscience district. All of this along with continued federal government support of GO Zone initiatives will help to insure an ongoing strong recovery for the District and the City of New Orleans.

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

**ASSETS**

**CURRENT ASSETS**

**Unrestricted:**

Cash and temporary cash investments	\$ 924,657
Investments	7,174,874
Ad valorem taxes receivable, net	379,088
Due from other governments	96,183
Other receivables	64,548
Prepaid expenses	41,248
Interest receivable	69,306
Deferred charges	3,750
Other	<u>9,231</u>
 Total unrestricted current assets	 <u>8,762,885</u>

**Restricted:**

Temporarily restricted:

Cash and temporary cash investments	<u>273,869</u>
 Total restricted current assets	 <u>273,869</u>

**TOTAL CURRENT ASSETS**

9,036,754

**NONCURRENT ASSETS**

Capital assets (net)	182,258
Deferred charges	<u>65,982</u>

**TOTAL NONCURRENT ASSETS**

248,240

**TOTAL ASSETS**

\$ 9,284,994

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2007**

**LIABILITIES**

**CURRENT LIABILITIES**

Accounts and current liabilities	\$	432,194
Deferred revenues		-
Compensated absences payable		35,620
Capital leases payable		4,637
Bonds payable		205,000
Due to other governments		20,823
Due to primary government		2,153,751
		2,852,025
Total current liabilities		2,852,025

**NONCURRENT LIABILITIES**

Bonds payable		6,125,000
Capital leases payable		3,745
Other long-term liabilities		906,246
		7,034,991
Total noncurrent liabilities		7,034,991

**TOTAL LIABILITIES**

9,887,016

**NET ASSETS**

Invested in capital assets, net		182,258
Restricted for debt service		273,869
Unrestricted		(1,058,149)
		(602,022)
<b><u>TOTAL NET ASSETS</u></b>	\$	(602,022)

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, 2007**

<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	\$ 1,074,711	\$ -	\$ -	\$ -	\$ (1,074,711)
Marketing and promotions	60,503	-	-	-	(60,503)
Public space operations	1,774,250	-	9,390	-	(1,764,860)
Public safety	783,333	-	-	-	(783,333)
Economic development	243,556	-	-	-	(243,556)
Canal/District-wide	2,505,534	-	-	-	(2,505,534)
Interest on long-term debt	343,318	-	-	-	(343,318)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total activities	\$ 6,785,205	\$ -	\$ 9,390	\$ -	(6,775,815)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b><u>General Revenue</u></b>					
Ad valorem taxes					5,620,597
Interest on Ad valorem tax investments					245,966
Interest on bond investments					213,485
Interest on bank accounts					8,279
Gain on insurance proceeds					-
Other					18,224
					<hr/>
Total general revenues					6,106,551
					<hr/>
<b><u>Change in Net Assets</u></b>					(669,264)
					<hr/>
<b><u>Net Assets, Beginning of Year, as restated</u></b>					67,242
					<hr/>
<b><u>Net Assets, End of Year</u></b>					\$ (602,022)
					<hr/>

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, 2007**

**ASSETS**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash:				
Cash and temporary cash investments	\$ 715,528	\$ -	\$ 7,184	\$ 722,712
Held by the Board of Liquidation, City Debt	11,636	-	-	11,636
Cash and temporary cash investments held by the Board of Liquidation (restricted)	-	273,869	-	273,869
Held by the City of New Orleans	190,309	-	-	190,309
Investments held by the Board of Liquidation, City debt-at amortized cost	7,174,874	-	-	7,174,874
Receivables				
Ad valorem taxes (net of allowance for uncollectible taxes of \$91,430)	379,088	-	-	379,088
Accrued interest	69,306	-	-	69,306
Due from other governments	96,183	-	-	96,183
Other receivables	64,548	-	-	64,548
Prepaid expenses	41,248	-	-	41,248
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 8,742,720</u></b>	<b><u>\$ 273,869</u></b>	<b><u>\$ 7,184</u></b>	<b><u>\$ 9,023,773</u></b>

**LIABILITIES AND FUND BALANCES**

<b><u>LIABILITIES</u></b>				
Accounts and other payables	\$ 432,194	\$ -	\$ -	\$ 432,194
Due to the City of New Orleans, net	2,153,751	-	-	2,153,751
Due to other governments	20,823	-	-	20,823
Deferred revenues	9,390	-	-	9,390
<b><u>TOTAL LIABILITIES</u></b>	<b><u>2,616,158</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>2,616,158</u></b>
<b><u>FUND BALANCES</u></b>				
Reserved for Canal Street/District-wide projects	2,002,422	-	-	2,002,422
Reserved for debt service	-	273,869	-	273,869
Undesignated	4,124,140	-	7,184	4,131,324
<b><u>TOTAL FUND BALANCES</u></b>	<b><u>6,126,562</u></b>	<b><u>273,869</u></b>	<b><u>7,184</u></b>	<b><u>6,407,615</u></b>
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 8,742,720</u></b>	<b><u>\$ 273,869</u></b>	<b><u>\$ 7,184</u></b>	<b><u>\$ 9,023,773</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, 2007**

<b><u>TOTAL GOVERNMENTAL FUND BALANCES</u></b>	<b>\$</b>	<b>6,407,615</b>
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		369,215
Less: Accumulated depreciation		(186,957)
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		9,390
Long-term liabilities are not due and payable in current year and therefore not reported in the governmental funds:		
Capital lease payable		(8,382)
Compensated absences		(35,620)
Bonds payable		(6,330,000)
Other long-term liabilities		(906,246)
Add: Deferred charges for bond issuance costs		69,732
<b><u>NET ASSETS</u></b>	<b><u>\$</u></b>	<b><u>(602,022)</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 – GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b><u>REVENUES</u></b>				
Ad valorem taxes	\$ 5,620,597	\$ -	\$ -	\$ 5,620,597
Federal Emergency Management Agency	188,485	-	-	188,485
Interest on investments	459,451	-	-	459,451
Interest on cash and temporary cash investments	8,260	-	19	8,279
Other	18,224	-	-	18,224
<b><u>TOTAL REVENUES</u></b>	<b><u>6,295,017</u></b>	<b><u>-</u></b>	<b><u>19</u></b>	<b><u>6,295,036</u></b>
<b><u>EXPENDITURES</u></b>				
Administration	1,037,556	-	345	1,037,901
Marketing and promotions	60,453	-	-	60,453
Public space operations	1,772,404	-	-	1,772,404
Public safety	782,697	-	-	782,697
Economic development	243,349	-	-	243,349
Canal/District-wide	2,505,534	-	-	2,505,534
Capital outlays	158,360	-	-	158,360
Principal on bonds	-	195,000	-	195,000
Interest on long-term debt	-	343,318	-	343,318
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>6,560,353</u></b>	<b><u>538,318</u></b>	<b><u>345</u></b>	<b><u>7,099,016</u></b>
<b><u>EXCESS OF REVENUE(DEFICIT) OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES(USES)</u></b>				
	(265,336)	(538,318)	(326)	(803,980)
Other financing sources (uses):				
Debt proceeds	538,318	-	-	538,318
Operating transfer out	(538,318)	-	-	(538,318)
Operating transfer in	-	538,318	-	538,318
Other financing sources (uses)	-	538,318	-	538,318
<b><u>NET CHANGE IN FUND BALANCES</u></b>	<b><u>(265,336)</u></b>	<b><u>-</u></b>	<b><u>(326)</u></b>	<b><u>(265,662)</u></b>
<b><u>FUND BALANCES</u></b>				
<b><u>BEGINNING OF THE YEAR (restated)</u></b>	<b><u>6,391,898</u></b>	<b><u>273,869</u></b>	<b><u>7,510</u></b>	<b><u>6,673,277</u></b>
<b><u>END OF THE YEAR</u></b>	<b><u>\$ 6,126,562</u></b>	<b><u>\$ 273,869</u></b>	<b><u>\$ 7,184</u></b>	<b><u>\$ 6,407,615</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 STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances	\$ (265,662)
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 governmental funds	9,390
Prior year revenue in the statement of activities that provided current year financial resources reported as current year revenue in the governmental funds	(188,485)
New long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.	(538,317)
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.	(20,294)
Compensated absences	(19,426)
Capital additions	158,360
Payments on capital lease	3,920
Amortization of bond issue costs	(3,750)
Payments on bonds payable	195,000
Other	<u>-</u>
Change in net assets	<u>\$ (669,264)</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 is 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**  
**THE CITY OF NEW ORLEANS**  
**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
Capital Lease	3.75 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 expenditures.

**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 Paid Time Off (PTO), which can be used for vacation or for sick leave, at the following levels: Full time employees employed six through twelve months receive fifteen (15) days; full time employees employed one through five years receive twenty (20) days; full-time employees employed six through ten years receive twenty-five (25) days; full time employees employed eleven years through nineteen years receive thirty (30) days; and full-time employees employed for twenty or more years receive forty (40) days. All earned PTO pay is fully vested. PTO can be accumulated and carried forward up to twenty (20) days each year end.

While PTO is accrued when earned for government-wide financial statements, it is recognized when paid in the 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**  
**THE CITY OF NEW ORLEANS**  
**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**  
**THE CITY OF NEW ORLEANS**  
**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 2007, deposits in excess of FDIC insurance were collateralized by the securities described above.

At December 31, 2007, the Board as fiscal agent of the District held on their behalf, cash and temporary cash investments, including restricted cash, in the amount of \$273,869 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	5.08%	01/24/08	\$ 260,000	\$ 260,000
Certificate of Deposit	5.08%	02/07/08	800,000	800,000
Certificate of Deposit	4.86%	01/3/08	215,000	215,000
Certificate of Deposit	5.08%	01/24/08	600,000	600,000
Certificate of Deposit	5.06%	01/10/08	240,000	240,000
Certificate of Deposit	4.12%	08/29/08	195,000	195,000
Certificate of Deposit	4.40%	05/01/08	175,000	175,000
Certificate of Deposit	4.58%	04/24/08	405,000	405,000
Certificate of Deposit	4.75%	02/28/08	105,000	105,000
Total Certificates of Deposit			<u>\$ 2,995,000</u>	<u>\$ 2,995,000</u>

**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	3.41%	06/26/08	\$ 356,000	\$ 356,000
US Treasury Bill	4.12%	04/10/08	204,000	204,000
US Treasury Bill	3.24%	05/28/08	711,000	711,000
US Treasury Bill	3.58%	05/29/08	1,119,000	1,119,000
US Treasury Bill	2.97%	02/21/08	423,000	423,000
US Treasury Bill	4.90%	01/24/08	289,000	289,000
US Treasury Bill	3.87%	01/24/08	428,000	428,000
US Treasury Bill	3.41%	06/28/08	722,000	722,000
			<u>4,252,000</u>	<u>\$ 4,252,000</u>
Less unamortized discount			<u>(72,126)</u>	
Total US Treasury Bills			<u>4,179,874</u>	
Total			<u>\$ 7,174,874</u>	

Investments consist of tax proceeds in the amount of \$4,985,324 and bond proceeds of \$2,189,550.

Investments at December 31, 2007, 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, 2007, on the above investments was \$69,306.

**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, 2007, the carrying amount of the District's deposits was \$1,008,217 and the bank balance was \$805,540. Of these amounts, \$107,184 is covered by federal deposit insurance and \$0 is collateralized by a pledge of securities owned by the depository bank and held in safekeeping by other financial institutions in the District's name. Amounts at one bank in which deposits in excess of federal depository insurance and collateral held in the District's name by its agent amounted to \$698,356 as of December 31, 2007.

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

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

Cash and temporary cash investments held by the Board at December 31, 2007 was \$273,869.

Restricted cash and temporary cash investments at December 31, 2007, 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, 2007, in the amount of \$190,309. As of December 31, 2007, 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 2007. 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 2007, collected during 2007, or expected to be collected in 2008 are recognized as revenues in 2007. Taxes levied for 2008, but collected in 2007, 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	\$ 5,430	\$ 83,875	\$ -	\$ 89,305
Computer Equipment	53,313	13,250	-	66,563
Office Equipment	4,763	781	-	5,544
Motor Vehicles	16,131	-	-	16,131
Public Works Property	114,962	7,860	-	122,822
Leasehold Improvements	-	52,594	-	52,594
Capital Leases	16,257	-	-	16,257
Subtotal:	210,856	158,360	-	369,216
Less accumulated depreciation:	(166,664)	(20,294)	-	(186,958)
Total	<u>\$ 44,192</u>	<u>\$ 138,066</u>	<u>\$ -</u>	<u>\$ 182,258</u>

Depreciation expense was charged to functions as follows:

Administration	\$ 7,615
Marketing and promotions	102
Public safety	10,592
Public space operations	1,495
Economic development	<u>490</u>
Total	<u>\$ 20,294</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, 2007, 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, 2007 the balance due to the City of New Orleans was \$2,153,751.

**8. Deferred Revenues**

There was no deferred revenue related to taxes at December 31, 2007.

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

**9. Reserved Fund Balance**

A portion of the December 31, 2007 fund balance has been reserved for debt service and Canal Street and District-wide infrastructure improvements. The subsequent year's budget totals \$6,863,619 per the year 2008 approved annual plan. A detailed budget follows:

<u>Description</u>	<u>Amount</u>
Administration	\$ 1,367,526
Marketing	107,300
Public Space Operations	
Infrastructure	156,182
Cleaning and Maintenance	1,627,600
Landscape Maintenance	334,800
Street Furnishings and Other	83,642
Sanitation	200,000
Public Safety	
Hospitality / Public Safety Rangers	308,625
Public Safety	669,672
Economic Development	
Façade Incentive	175,000
Supportive Housing	10,000
Research and Database Management	37,000
Canal Street	80,000
District-Wide	81,000
Administration/Meetings	12,000
Medical District	25,000
Presentation	5,000
Planning Initiatives	340,000
Business Retention & Recruitment	25,000
Infrastructure	
District-Wide Improvements	552,000
Canal Street Streetscape	60,000
Debt Service	594,272
Capital Purchases	55,000
Total budgeted expenditures for 2008	* \$ <u>6,863,619</u>

\*Includes bond proceeds activity

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

**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 2007 was \$23,641 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, 2007, was \$739,279.

**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 2007 by the District for these employee policies total \$25,988.

**11. Commitments and Contingencies**

**Capital Leases Payable**

Future minimum lease payments under capital leases as of December 31, 2007, for each of the next three years are:

Year Ending	Amount
2008	\$ 5,172
2009	3,879
Total Minimum Lease Payments	9,051
Less: Amount Representing Interest	668
	\$ 8,383

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

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

**Capital Leases Payable (continued)**

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 a cost of \$16,257 and accumulated depreciation of \$8,670 at December 31, 2007.

**Operating Leases**

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:

<u>Year Ending</u>	<u>Amount</u>
2008	65,253
2009	68,337
2010	70,074
2011	70,653
2012	73,259
Thereafter	<u>250,176</u>
Totals	<u>\$ 597,752</u>

Office space rental expenditures were \$61,373 during 2007.

**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 has been expended through December 31, 2007.

**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.

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

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

**Cooperative Endeavor Agreement (continued)**

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, \$1,815,901 has been accrued at December 31, 2007 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.

**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.

**15. Long-term debt**

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 within the District.

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

**15. Long-term debt (continued)**

Pursuant to L.A. 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, 2007, 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. At December 31, 2007, the balance owed to the State of Louisiana under the agreement is \$906,246.

**16. Concentration of Credit Risk**

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

**17. Changes in Noncurrent Liabilities**

Activity in the District's long-term debt for the year ended December 31, 2007, follows:

<u>Long-Term Debt</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Current Portion</u>
DDD Limited Tax Bonds Series 2001	\$ 6,525,000	\$ -	\$ (195,000)	\$ 6,330,000	\$ 205,000
Other long-term liabilities	367,928	538,318	-	906,246	-
Compensated absences	16,193	19,427	-	35,620	35,620
Capital leases	12,643	-	(4,261)	8,382	4,637
	<u>\$ 6,921,764</u>	<u>\$ 557,745</u>	<u>\$ (199,261)</u>	<u>\$ 7,280,248</u>	<u>\$ 245,257</u>

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

**17. Changes in Noncurrent Liabilities (continued)**

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2008	205,000	330,448
2009	215,000	316,918
2010	225,000	302,728
2011	235,000	287,878
2012	250,000	272,878
2013-2017	1,440,000	1,172,928
2018-2022	1,865,000	775,098
2023-2027	1,895,000	248,370
Total	6,330,000	<u>\$ 3,707,244</u>
Less Current Portion	<u>(205,000)</u>	
Non-Current Portion	<u>\$ 6,125,000</u>	

**18. 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.

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

**18. Continuing Disclosure Certificate (continued)**

- h. The millage rates at which the tax is levied for the prior year including specifically, the millage that is pledged to the payment of the bonds. Millage rate for 2007 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 2007 was \$5,586,611 and collections were \$4,778,028.
- 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.

**19. Deferred Charges**

At December 31, 2007, 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, 2007	\$ 73,481
Add: Additions to Bond Cost	-
Less: Current Year Amortization	(3,750)
	69,731
Current Portion	(3,750)
Non-Current Portion	\$ 65,981

**20. 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.

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

**21. 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, 2007.

**22. Prior period adjustment**

Certain errors resulting in an overstatement of previously reported ad valorem tax revenue and receivable were discovered in the current year. Accordingly, an adjustment of \$1,659,750 was made during the year to properly state the accounts receivable balance and net assets at December 31, 2006. The effect of the restatement is summarized below:

	<u>2007</u>
Net assets at December 31, 2006 prior to restatement	\$ 1,726,992
Adjustment for accounts receivable	<u>(\$1,659,750)</u>
Net assets at December 31, 2006, as restated	<u>\$ 67,242</u>

**THE DOWNTOWN DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS**  
**SCHEDULE OF REVENUES AND EXPENSES—BUDGETED AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>				
Internal sources (Concerts, State, Federal, etc.)	\$ 72,304	\$ 678,952	\$ 460,935	\$ (218,017)
Ad valorem taxes	<u>4,505,000</u>	<u>4,712,512</u>	<u>5,620,597</u>	<u>908,085</u>
Total operating revenues	4,577,304	5,391,464	6,081,532	690,068
<b>Operating Expenses:</b>				
Administration	1,225,294	1,120,143	1,037,556	(82,587)
Marketing/events	43,600	56,380	60,453	4,073
Public space operations	2,083,303	1,882,491	1,772,404	(110,087)
Public safety	826,962	747,743	782,697	34,954
Economic development and planning	465,000	465,000	243,349	(221,651)
Capital outlays	<u>-</u>	<u>-</u>	<u>158,360</u> *	<u>158,360</u>
Total operating expenses	<u>4,644,159</u>	<u>4,271,757</u>	<u>4,054,819</u>	<u>(216,938)</u>
Net operating income	<u>(66,855)</u>	<u>1,119,707</u>	<u>2,026,713</u>	<u>907,006</u>
<b>Non-Operating Revenue:</b>				
Interest on bond proceeds	<u>17,500</u>	<u>178,188</u>	<u>213,485</u>	<u>35,297</u>
Total non-operating revenue	<u>17,500</u>	<u>178,188</u>	<u>213,485</u>	<u>35,297</u>
<b>Non-Operating Expenses:</b>				
Canal Street/District-wide capital improvements	<u>1,662,824</u>	<u>2,132,601</u>	<u>2,505,534</u>	<u>372,933</u>
Total non-operating expense	<u>1,662,824</u>	<u>2,132,601</u>	<u>2,505,534</u>	<u>372,933</u>
Excess of revenue/(deficit) over expenditures before other financing sources (uses)	(1,712,179)	(834,706)	(265,336)	569,370
Debt proceeds	-	-	538,318	538,318
Operating transfers out	<u>(368,318)</u>	<u>(368,318)</u>	<u>(558,358)</u>	<u>(190,040)</u>
Net change in fund balances	<u>\$ (2,080,497)</u>	<u>\$ (1,203,024)</u>	<u>\$ (285,376)</u>	<u>\$ 917,648</u>

\* - Capital outlays budget balance allocated to operating expenses

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, 2007**

	<u>Downtown Development Unlimited</u>
<b><u>ASSETS</u></b>	
Assets	
Cash and temporary cash investments	<u>\$ 7,184</u>
Total assets	<u>\$ 7,184</u>
<b><u>FUND BALANCE</u></b>	
Fund Balance	
Undesignated	<u>\$ 7,184</u>
Total fund balance	<u>\$ 7,184</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, 2007**

	<u>Downtown Development Unlimited</u>
Revenue:	
Interest on cash and temporary cash investments	\$ 19
Total revenue	19
Expenditures:	
Administration	345
Total expenditures	345
Excess (deficit) of revenue over expenditures	(326)
Fund balance:	
Beginning of year	7,510
End of year	<u>\$ 7,184</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  
2007 TAX ROLLS  
(UNAUDITED)

<u>District</u>	<u>Real</u> <u>Property</u>	<u>Homestead</u> <u>Exemption</u>
0	\$ 2,954,880	\$ -
1	\$ 322,274,380	\$ 3,523,160
2	\$ 40,769,880	\$ -

\*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 Finance, Bureau of the Treasury

See independent auditors' report on supplementary information.

## EXHIBIT B

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

TEN LARGEST AD VALOREM TAXPAYERS  
 2007 TAX YEAR  
 (UNAUDITED)

<u>Name of Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>
Harrah's Jazz	Casino	\$ 21,691,770
C S & M Associates	Hotel	19,637,700
International Rivercenter	Shopping Center;Hotel	18,464,270
Marriott Hotel	Hotel	12,344,350
Hertz Properties	Hotel	11,000,210
Metropolitan Life	Office Building	10,766,290
LKBOC	N/A	9,574,600
East Skelly LLC	N/A	7,166,310
Poydras Properties	N/A	9,327,170
IPC New Orleans I LLC	N/A	7,036,090
Total		<u>\$ 127,008,760</u>

SOURCE: City of New Orleans, Department of Finance, Bureau of the Treasury

See independent auditors' report on supplementary information.

EXHIBIT C

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

ASSESSED VALUE OF PROPERTY BY  
CLASSIFICATION FOR THE DISTRICT  
2007  
(UNAUDITED)

	<u>(0)</u>	<u>District (2)</u>	<u>(3)</u>
Land assessment	\$ 1,087,450	\$ 55,580,380	\$ 6,932,910
Improvement assessment	\$ 1,867,430	\$ 270,217,160	\$ 33,836,970
Sub-total	<u>\$ 2,954,880</u>	<u>\$ 325,797,540</u>	<u>\$ 40,769,880</u>
Less: Homestead exemption	<u>\$ -</u>	<u>\$ 3,523,160</u>	<u>\$ -</u>
Net taxable	<u>\$ 2,954,880</u>	<u>\$ 322,274,380</u>	<u>\$ 40,769,880</u>

\*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.

## EXHIBIT D

**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
2006	4,283,983	85,891	105,490	4,475,364	15.90
2007	4,951,294	618,680	283,801	5,853,775	15.90

SOURCE: Annual Reports, Board of Liquidation.

See independent auditors' report on supplementary information.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS 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, 2007, and have issued our report thereon dated June 25, 2008. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

**Compliance and Other Matters**

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

*Postlethwaite + Netterville*

Metairie, Louisiana  
June 25, 2008

**THE DOWNTOWN DEVELOPMENT DISTRICT OF**  
**THE CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 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
- Significant Deficiency(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
- Significant Deficiency(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, 2007**

**Section II: Financial Statement Findings**

Reference Number 2007-01

Criteria

The management of the District should have direct and frequent 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 on a timely basis.

Condition

The District has for several years had difficulty obtaining timely and accurate information from the City of New Orleans in connection with its share of ad valorem tax assessments, collections, and disbursements. This information received for the audit for the year ended December 31, 2006 was not accurate and the information received for the audit of the year ended December 31, 2007 was not received until May 2008.

Cause

The District did not implement a system to facilitate the timely receipt of ad valorem tax information from the City of New Orleans finance and accounting departments. The District is dependent upon the information received from the City of New Orleans for the proper recording and reporting of the ad valorem information.

Effect

The inability of the District to receive timely or accurate information regarding ad valorem taxes from the City of New Orleans resulted in a reduction of \$1,659,750 to the net asset balance at December 31, 2006 from previously reported amount of \$1,726,992 to the restated amount of \$67,242.

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. Management is considering a plan to bill and collect its portion of ad valorem taxes independent of the City of New Orleans.

**THE DOWNTOWN DEVELOPMENT DISTRICT OF**  
**THE CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

No federal award findings and questioned costs were reported for the year ended December 31, 2007.

**THE DOWNTOWN DEVELOPMENT DISTRICT OF**  
**THE CITY OF NEW ORLEANS**  
**SUMMARY SCHEDULE OF FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

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

**Reference Number**

2006-01

**Criteria**

The management of the District should have direct and frequent 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 on a timely basis.

**Condition**

The District has for several years had difficulty obtaining timely and accurate information from the City of New Orleans in connection with its share of ad valorem tax assessments, collections, and disbursements. This information for 2006 was not received until June of 2007.

**Cause**

The District did not implement a system to facilitate the timely receipt of ad valorem tax information from the City of New Orleans finance and accounting departments.

**Effect**

The inability of the District to receive timely information regarding ad valorem taxes from the City of New Orleans resulted in District making financial decisions without an accurate accounting of ad valorem tax revenue and caused a delay in the issuance of the financial statements to the Louisiana Legislative Auditor.

**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.

**Status**

This comment is not resolved. See current year comment at 2007-1.

**THE DOWNTOWN DEVELOPMENT DISTRICT OF**  
**THE CITY OF NEW ORLEANS**  
**FOR THE YEAR ENDED DECEMBER 31, 2007**

An exit conference was held June 25, 2008 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**

Barbara Motley	-- Commissioner
Ron E. Gardner	-- Secretary-Treasurer Board of Commissioners, Chairperson Audit Committee
Kurt Weigle	-- Executive Director
Anthony Carter	-- Finance Director

**POSTLETHWAITE & NETTERVILLE, APAC**

Albert J. Richard III, CPA – Partner

Todd Tournillon, CPA – Partner