

R E P O R T

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS

DECEMBER 31, 2014

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS

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DECEMBER 31, 2014

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## INDEPENDENT AUDITOR'S REPORT

June 9, 2015

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

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate 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, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the index to the report.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of December 31, 2014, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the report index, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The non-major governmental fund balance sheet, non-major fund statement of revenues, expenditures and changes in fund balance, and the schedule of compensation, benefits and other payments to agency head or chief executive officer, as listed in the report index, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The non-major governmental fund balance sheet, non-major fund statement of revenues, expenditures and changes in fund balance, and the schedule of compensation, benefits and other payments to agency head or chief executive officer are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the non-major governmental fund balance sheet, non-major fund statement of revenues, expenditures and changes in fund balance, and the schedule of compensation, benefits and other payments to agency head or chief executive officer are fairly stated in all material respects in relation to the financial statements taken as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2015 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, grant agreements and other matters. 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* in considering the District's internal control over financial reporting and compliance.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

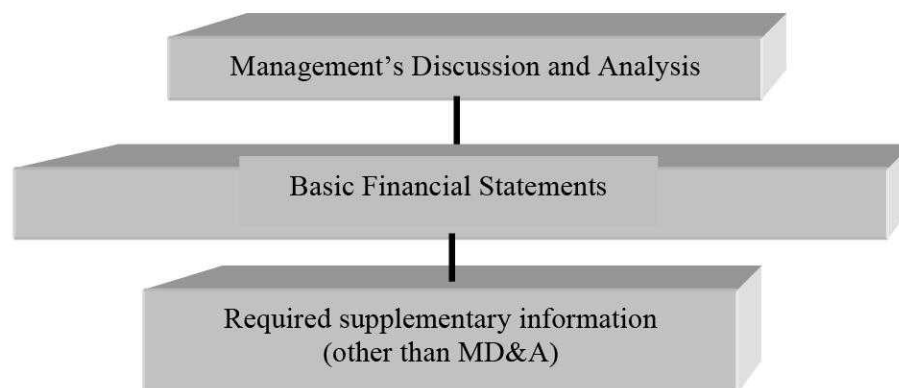
THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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

- Resulting from the fact that the liability for the District's series 2001 bonds, which were used for various capital improvements to the infrastructure in the vicinity of Canal Street and other areas of the District, was recorded on the District's government-wide financial statements while the resulting assets are included in the capital assets of the City of New Orleans; liabilities exceeded assets at the close of the most recent fiscal year by \$1,430,228 as outlined on the statement of net position. As of December 31, 2014 the District had a deficit net position balance of \$(1,430,228) as compared to \$(2,160,273) as of December 31, 2013.
- The District's total net position increased by \$730,045 during 2014, as compared to an increase of \$154,628 in the prior year. The increase in 2014 net position as compared to 2013 net position was primarily related to an increase in property tax revenue and a decrease in expenses.
- Revenues increased by \$468,904 during 2014, mainly due to an increase in property tax revenue.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,476,691, an increase of \$391,791 from the prior year balance of \$4,084,900.

The following graphic illustrates the minimum requirements for the District established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

THE DOWNTOWN DEVELOPMENT DISTRICT  
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### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to private-sector business.

The statement of net position presents information of all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or declining.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position 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 governmental activities reflect the District's basic services including public space maintenance (cleaning, sign 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 (real estate development facilitation, revitalization and business retention) and capital improvements (pedestrian signage, sidewalk replacement reimbursements, façade 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 are used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and 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 a government's near-term financing requirements.

THE DOWNTOWN DEVELOPMENT DISTRICT  
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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 statement of fiduciary assets and liabilities presents financial information relative to assets held by the District on behalf of contractors for the Girod Street Project.

### 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.

### Financial Analysis of the District

Statement of Net Position  
as of December 31, 2014 and 2013

|                                 | <u>2014</u>           | <u>2013</u>           | <u>\$ Variance</u>  | <u>% Variance</u> |
|---------------------------------|-----------------------|-----------------------|---------------------|-------------------|
| Assets:                         |                       |                       |                     |                   |
| Current and other assets        | \$ 4,793,895          | \$ 4,348,613          | \$ 445,282          | 10.24 %           |
| Capital assets                  | <u>100,650</u>        | <u>148,018</u>        | <u>(47,368)</u>     | (32.00)           |
| Total assets                    | <u>\$ 4,894,545</u>   | <u>\$ 4,496,631</u>   | <u>\$ 397,914</u>   |                   |
| Liabilities:                    |                       |                       |                     |                   |
| Current liabilities             | \$ 786,243            | \$ 711,081            | \$ 75,162           | 10.57             |
| Long-term liabilities           | <u>5,538,531</u>      | <u>5,945,823</u>      | <u>(407,292)</u>    | (6.85)            |
| Total liabilities               | <u>\$ 6,324,774</u>   | <u>\$ 6,656,904</u>   | <u>\$ (332,130)</u> |                   |
| Net position:                   |                       |                       |                     |                   |
| Invested in capital assets, net | \$ 100,650            | \$ 148,018            | \$ (47,368)         | (32.00)           |
| Reserved for debt service       | 262,642               | 264,578               | (1,936)             | (0.73)            |
| Unrestricted (deficit)          | <u>(1,793,520)</u>    | <u>(2,572,869)</u>    | <u>779,349</u>      | 30.29             |
| Total net position              | <u>\$ (1,430,228)</u> | <u>\$ (2,160,273)</u> | <u>\$ 730,045</u>   |                   |

- The District's net position increased \$730,045 during the current fiscal year. The increase in 2014 net position as compared to 2013 net position was primarily related to an increase on property tax revenue and a decrease in total expenses.

THE DOWNTOWN DEVELOPMENT DISTRICT  
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Statement of Activities  
For the Years Ended December 31, 2014 and 2013

|                                    | <u>2014</u>           | <u>2013</u>           | <u>\$ Variance</u> | <u>% Variance</u> |
|------------------------------------|-----------------------|-----------------------|--------------------|-------------------|
| Revenues:                          |                       |                       |                    |                   |
| Program revenues:                  |                       |                       |                    |                   |
| Operating grants and contributions | \$ 167,240            | \$ 153,575            | \$ 13,665          | 8.90%             |
| General revenues:                  |                       |                       |                    |                   |
| Ad valorem taxes                   | 6,121,929             | 5,666,770             | 455,159            | 8.03              |
| Interest income                    | <u>8,771</u>          | <u>8,691</u>          | <u>80</u>          | 0.92              |
| Total revenues                     | <u>6,297,940</u>      | <u>5,829,036</u>      | <u>468,904</u>     |                   |
| Expenses:                          |                       |                       |                    |                   |
| Administration                     | 959,941               | 1,025,780             | (65,839)           | (6.41)            |
| Communication and events           | 571,226               | 530,275               | 40,951             | 7.72              |
| Economic development               | 542,756               | 530,420               | 12,336             | 2.32              |
| Public space operations            | 2,171,794             | 2,270,124             | (98,330)           | (4.33)            |
| Public safety                      | 1,123,845             | 1,107,603             | 16,242             | 1.47              |
| Interest on long-term debt         | <u>198,333</u>        | <u>210,206</u>        | <u>(11,873)</u>    | (5.65)            |
| Total expenses                     | <u>5,567,895</u>      | <u>5,674,408</u>      | <u>(106,513)</u>   |                   |
| Change in net position             | 730,045               | 154,628               | 575,417            |                   |
| Net Position, beginning of year    | <u>(2,160,273)</u>    | <u>(2,314,901)</u>    | <u>154,628</u>     |                   |
| Net Position, end of year          | <u>\$ (1,430,228)</u> | <u>\$ (2,160,273)</u> | <u>\$ 730,045</u>  |                   |

The largest source of revenue for the District was ad valorem (property) taxes. The largest source of grant revenue was the federally funded Economic Development Assistance grant used for the District's "One-Way Project" to promote economic development in the City of New Orleans, which decreased by \$14,704 during 2014 as the project was completed.

The most significant increases in expenses were in communications and events. During 2013, there was no Director of Public Affairs on staff until February 1 and no Director of Communications on staff until March. In November 2013, due to a promotion, one of the staff members in this department received a 9.5% increase and on January 1, 2014 merit based increases for this department averaged 4.0%.

The most significant decreases in expenditures were administrative expenses and public space operations. During 2014 Legal expenses were approximately \$46,000 less than in 2013, while District Wide Improvements and Donation of Assets (NOPD police cruiser to City of New Orleans for use by DDD Detail officers) were \$208,000 less.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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## **Capital Assets and Debt Administration**

### Capital Assets

At December 31, 2014 and 2013, the District had \$100,650 and \$148,018, respectively, invested in capital assets, net of accumulated depreciation consisting principally of office equipment and leasehold improvements. See page 29 of the notes to the financial statements for a detail composition of capital assets.

### Long-term Debt

At December 31, 2014, the District had total bond debt outstanding of \$4,585,000 compared with \$4,900,000 at December 31, 2013. During 2012, the Series 2001 bonds were refunded by the Limited Tax Refunding Bonds, Series 2012. The Series 2001 balance paid off was \$5,450,000 and the proceeds from the 2012 series were \$5,485,000. Principal paid on the 2012 Series bonds during 2014 and 2013 was \$315,000 and \$305,000, respectively. See pages 30-32 of the notes to the financial statements for a description of outstanding long-term debt.

The portion of the District's net position that are invested in capital assets, less any related debt used to acquire those assets that are still outstanding was \$100,650 as of December 31, 2014. The District uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. An additional portion of the District's net position represents resources that are restricted for debt service. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

## **General Fund Budgetary Highlights**

The final budget and actual comparisons is on page 36. The final budget variance as compared to the actual balance was an increase of \$394,374. This positive variance is primarily due to an increase in property tax revenue.

Federal grant revenue decreased \$5,587 during 2014 mainly due to the completion of the District's Economic Development Assistance Grant for its "One Way NOLA Project" during 2014.

In total, actual operating expenditures were \$110,143 less than the final budget amounts, primarily due to a lower than anticipated usage of the Façade Improvement and Sidewalk Improvement Grants available.

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

There are several uncertainties relative to the collection and reporting of ad valorem taxes to the District by the City of New Orleans. Of significant concern is the amount of adjustments and refunds processed by the City of New Orleans each year that are not reported to the District timely. Management is currently working with City administration to obtain a listing of outstanding restoration tax abatements (RTA's) and payments in lieu of taxes (PILOT's), some of which may be due to expire in the near future. Management will also utilize a database of properties on the tax rolls for the District to analyze the adjustments and refunds, so as to understand the reasoning behind them and to help predict if similar reductions might be expected in the future. The District will continue to budget property tax revenue with the latest information available from the City of New Orleans. The District has increased its budget for ad valorem taxes by \$140,000 in 2015. Management expects sufficient revenues to allow for addressing its primary objectives. The development of new programs will be dependent upon the expiration of RTA's or PILOT's, unless additional sources of new funding are developed..

In 2015, the District's work plan reflects a decrease in spending of more than \$124,000. This decrease includes reductions in special events clean-up, capital assets purchases, district-wide improvements and elimination of spending on the EDA Grant funded project along with increases in spending on police detail officers, graffiti removal, trash receptacles, digital media, donor relations and insurance premiums.

### **Significant Events**

During 2014, construction of the University Medical Center (UMC) and Veterans Affairs Medical Center (VAMC) continued. The UMC is scheduled to open in 2015 and the VAMC in 2016. These developments are expected to bring 3,000 newly created jobs to the doorstep of Downtown. The New Orleans Bio-Innovation Center opened in 2011 and is currently 75% occupied. Additionally, jobs in the digital media industry continued to increase, bringing the total to approximately 1,175 by the end of 2014.

The District continued to see an increase in the number of residential units and residents. 2014 brought the completion of 459 new residential units in Downtown. There was also growing activity on the retail front with the opening of the 250,000 sq. ft., 75-store Outlet Collection at Riverwalk in May 2014, including Neiman Marcus Last Call Studio, Forever 21, and It'Sugar, three brands that the DDD had worked to attract to Downtown for up to three years in the case of Neiman Marcus. The South Market District Project announced the following Retailers in its first two buildings: Arhaus, CVS Pharmacy, Fetch, Blaze Fast Fired Pizza, Ursa Major, Willa Jean, Magazin Kitchen and The Company Burger.

Additionally, the District welcomed the National World War II Museum's new Campaigns of Courage Pavilion, continuing its role in attracting tourists to New Orleans, consistent with the City's goal of increasing New Orleans visitorship from the record 9.5 million in 2014.

THE DOWNTOWN DEVELOPMENT DISTRICT  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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In 2014 the DDD continued to explore the future needs of Downtown and pursued the best solutions to address those needs. At the direction of the Board, the staff continued in its quest to bring a high-quality, public elementary school Downtown in order to serve our growing residential population. The DDD continued in its attempts to reduce the homeless population Downtown. After researching best practices and sponsoring fact-finding trips to other cities, the Board and staff have spearheaded the creation of a low-barrier outdoor shelter with attached social services to assist in breaking the cycle. As the result of a Technical Assistance Panel (TAP) conducted by ULI Louisiana assessing downtown green space needs, priorities, and prospects, the DDD convened various stakeholders in moving forward a Greenway Connectivity and Open Space Plan, including a proposal to redevelop Duncan Plaza.

#### **Contacting the District's Management**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the administration at 201 St. Charles Avenue, Suite 3912, New Orleans, Louisiana 70170-3912 or 504-561-8927.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
STATEMENT OF NET POSITION  
DECEMBER 31, 2014

ASSETS

CURRENT ASSETS:

Unrestricted:

|                                   |                  |
|-----------------------------------|------------------|
| Cash and cash equivalents         | \$ 3,850,339     |
| Ad valorem taxes receivable, net  | 529,438          |
| Other receivables                 | 7,500            |
| Prepaid expenses                  | 143,976          |
| Total unrestricted current assets | <u>4,531,253</u> |

Restricted:

|                                 |                  |
|---------------------------------|------------------|
| Cash and cash equivalents       | 262,642          |
| Total restricted current assets | <u>262,642</u>   |
| Total current assets            | <u>4,793,895</u> |

NONCURRENT ASSETS:

|   |                  |
|---|------------------|
| Capital assets, net of accumulated depreciation | 100,650          |
| Total noncurrent assets                         | <u>100,650</u>   |
| Total assets                                    | <u>4,894,545</u> |

LIABILITIES

CURRENT LIABILITIES:

|  |                |
|--|----------------|
| Accounts payable and current liabilities | 317,205        |
| Compensated absences payable             | 61,746         |
| Bonds payable                            | 320,000        |
| Loans payable -State of Lousiana         | 87,292         |
| Total current liabilities                | <u>786,243</u> |

NONCURRENT LIABILITIES:

|                                  |                  |
|----------------------------------|------------------|
| Bonds payable                    | 4,265,000        |
| Loans payable -State of Lousiana | 1,273,531        |
| Total noncurrent liabilities     | <u>5,538,531</u> |
| Total liabilities                | <u>6,324,774</u> |

NET POSITION

NET POSITION:

|                                  |                       |
|----------------------------------|-----------------------|
| Net investment in capital assets | 100,650               |
| Restricted for debt service      | 262,642               |
| Unrestricted (deficit)           | <u>(1,793,520)</u>    |
| Total net position (deficit)     | <u>\$ (1,430,228)</u> |

The notes to the financial statements are an integral part of this statement.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

| FUNCTIONS                       | <u>Expenses</u>     | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Revenues and<br/>Changes in<br/>Net Assets</u> |
|---------------------------------|---------------------|-------------------------------------|---|---|---|
| Administration                  | \$ 959,941          | \$ -                                | \$ 16,913   | \$ -  | \$ (943,028)                                      |
| Communications and events       | 571,226             | -                                   | 76,946  | -   | (494,280)   |
| Economic development            | 542,756             | -                                   | 59,025  | -   | (483,731)   |
| Public space operations         | 2,171,794           | -                                   | 14,356  | -   | (2,157,438)                                       |
| Public safety                   | 1,123,845           | -                                   | -   | -   | (1,123,845)                                       |
| Interest on long-term debt      | 198,333             | -                                   | -   | -   | (198,333)   |
| Total activities                | <u>\$ 5,567,895</u> | <u>\$ -</u>                         | <u>\$ 167,240</u>                                 | <u>\$ -</u>                                     | <u>(5,400,655)</u>                                |
| GENERAL REVENUES:               |                     |                                     |   |   |   |
| Ad valorem taxes                |                     |                                     |   |   | 6,121,929   |
| Interest                        |                     |                                     |   |   | 8,771   |
| Total general revenues          |                     |                                     |   |   | <u>6,130,700</u>                                  |
| Change in net position          |                     |                                     |   |   | 730,045   |
| Net position, beginning of year |                     |                                     |   |   | <u>(2,160,273)</u>                                |
| NET POSITION, END OF YEAR       |                     |                                     |   |   | <u>\$ (1,430,228)</u>                             |

The notes to the financial statements are an integral part of this statement.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2014

|  | <u>ASSETS</u>               |                             |   |   |
|--|-----------------------------|-----------------------------|---|---|
|  | <u>General</u>              | <u>Debt<br/>Service</u>     | <u>Nonmajor<br/>Governmental<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
| CASH AND CASH EQUIVALENTS:   |                             |                             |   |   |
| Cash and cash equivalents  | \$ 1,246,328                | \$ -                        | \$ 5,770                                  | \$ 1,252,098                            |
| Cash and cash equivalents held by the<br>Board of Liquidation (unrestricted) | 2,598,242                   | -                           | -   | 2,598,242                               |
| Cash and cash equivalents held by the<br>Board of Liquidation (restricted)   | -                           | 262,642                     | -   | 262,642                                 |
| Receivables:   |                             |                             |   |   |
| Ad valorem taxes (net of allowance for<br>uncollectible taxes of \$312,793)  | 529,438                     | -                           | -   | 529,438                                 |
| Other receivables  | 7,500                       | -                           | -   | 7,500                                   |
| Prepaid expenses   | 143,976                     | -                           | -   | 143,976                                 |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u>               | <u>                    </u>             |
| Total assets   | <u>\$ 4,525,484</u>         | <u>\$ 262,642</u>           | <u>\$ 5,770</u>                           | <u>\$ 4,793,896</u>                     |

LIABILITIES AND FUND BALANCES

|                                     |                             |                             |                             |                             |
|-------------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| LIABILITIES:                        |                             |                             |                             |                             |
| Accounts and other payables         | \$ 317,205                  | \$ -                        | \$ -                        | \$ 317,205                  |
| Total liabilities                   | <u>\$ 317,205</u>           | <u>\$ -</u>                 | <u>\$ -</u>                 | <u>\$ 317,205</u>           |
| FUND BALANCES:                      |                             |                             |                             |                             |
| Non- spendable                      | \$ 143,976                  | \$ -                        | \$ -                        | \$ 143,976                  |
| Restricted for debt service         | -                           | 262,642                     | -                           | 262,642                     |
| Unassigned                          | 4,064,303                   | -                           | 5,770                       | 4,070,073                   |
| Total fund balances                 | <u>\$ 4,208,279</u>         | <u>\$ 262,642</u>           | <u>\$ 5,770</u>             | <u>\$ 4,476,691</u>         |
|                                     | <u>                    </u> | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Total liabilities and fund balances | <u>\$ 4,525,484</u>         | <u>\$ 262,642</u>           | <u>\$ 5,770</u>             | <u>\$ 4,793,896</u>         |

The notes to the financial statements are an integral part of this statement.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
AS OF DECEMBER 31, 2014

|   |                    |                              |
|---|--------------------|------------------------------|
| Total governmental fund balances  |                    | \$ 4,476,691                 |
| Amounts reported for governmental activities in statement of net position are different because:                        |                    |                              |
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds | \$ 505,736         |                              |
| Less: accumulated depreciation  | <u>(405,086)</u>   | 100,650                      |
| Long-term liabilities not reported in the governmental funds:   |                    |                              |
| Compensated absences  | (61,746)           |                              |
| Bonds payable   | (4,585,000)        |                              |
| Loans payable - State of Louisiana  | <u>(1,360,823)</u> | <u>(6,007,569)</u>           |
| Net position  |                    | \$ <u><u>(1,430,228)</u></u> |

The notes to the financial statements are an integral part of this statement.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENT FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2014

|   | <u>General</u>      | <u>Debt<br/>Service</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|-------------------------|---|---|
| <b>REVENUES</b>   |                     |                         |   |   |
| Ad valorem taxes, net of collection fees of \$252,219                                   | \$ 6,121,929        | \$ -                    | \$ -                                    | \$ 6,121,929                            |
| Intergovernmental, federal sources - direct   | 48,142              | -                       | -                                       | 48,142                                  |
| Interest  | 8,771               | -                       | -                                       | 8,771                                   |
| Other   | 109,098             | -                       | 10,000                                  | 119,098                                 |
| Total revenues  | <u>6,287,940</u>    | <u>-</u>                | <u>10,000</u>                           | <u>6,297,940</u>                        |
| <b>EXPENDITURES</b>   |                     |                         |   |   |
| Current:  |                     |                         |   |   |
| Administration  | 935,722             | -                       | 180                                     | 935,902                                 |
| Communications and events   | 554,538             | -                       | 10,000                                  | 564,538                                 |
| Public space operations   | 2,146,367           | -                       | -                                       | 2,146,367                               |
| Public safety   | 1,111,012           | -                       | -                                       | 1,111,012                               |
| Economic development  | 536,402             | -                       | -                                       | 536,402                                 |
| Capital outlays   | 15,174              | -                       | -                                       | 15,174                                  |
| Debt service:   |                     |                         |   |   |
| Principal payments  | -                   | 398,421                 | -                                       | 398,421                                 |
| Interest on long-term debt  | -                   | 198,333                 | -                                       | 198,333                                 |
| Total expenditures  | <u>5,299,215</u>    | <u>596,754</u>          | <u>10,180</u>                           | <u>5,906,149</u>                        |
| Excess of revenues (deficit) over expenditures<br>before other financing sources (uses) | 988,725             | (596,754)               | (180)                                   | 391,791                                 |
| Other financing sources (uses):   |                     |                         |   |   |
| Operating transfer out  | (594,818)           | -                       | -                                       | (594,818)                               |
| Operating transfer in   | -                   | 594,818                 | -                                       | 594,818                                 |
| Other financing sources (uses)  | <u>(594,818)</u>    | <u>594,818</u>          | <u>-</u>                                | <u>-</u>                                |
| Net change in fund balances   | 393,907             | (1,936)                 | (180)                                   | 391,791                                 |
| Fund balances at beginning of the year  | <u>3,814,372</u>    | <u>264,578</u>          | <u>5,950</u>                            | <u>4,084,900</u>                        |
| <b>FUND BALANCES AT END OF YEAR</b>   | <u>\$ 4,208,279</u> | <u>\$ 262,642</u>       | <u>\$ 5,770</u>                         | <u>\$ 4,476,691</u>                     |

The notes to the financial statements are an integral part of this statement.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
RECONCILIATION OF GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2014

Net changes in fund balances - total governmental funds \$ 391,791

Amounts reported for governmental activities in the statement of activities are different because:

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 by which depreciation exceeds capital outlay for the current period.

|                      |                 |          |
|----------------------|-----------------|----------|
| Capital outlays      | \$ 15,174       |          |
| Depreciation expense | <u>(62,542)</u> | (47,368) |

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds. These transactions have no effect on net position.

|                                      |               |         |
|--------------------------------------|---------------|---------|
| Payment on refunding bonds           | \$ 315,000    |         |
| Principal payments on long-term debt | <u>83,421</u> | 398,421 |

Compensated absence expenses are reported in the statement of activities, but do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

|                                |  |                 |
|--------------------------------|--|-----------------|
| Change in compensated absences |  | <u>(12,799)</u> |
|--------------------------------|--|-----------------|

|   |  |                          |
|---|--|--------------------------|
| Change in net position of governmental activities |  | \$ <u><u>730,045</u></u> |
|---|--|--------------------------|

The notes to the financial statements are an integral part of this statement.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
DECEMBER 31, 2014

|                        | <u>Agency<br/>Fund</u>  |
|------------------------|-------------------------|
| <u>ASSETS</u>          |                         |
| CASH                   | \$ <u>18,682</u>        |
| TOTAL ASSETS           | \$ <u><u>18,682</u></u> |
| <br><u>LIABILITIES</u> |                         |
| ACCOUNTS PAYABLE       | \$ <u>18,682</u>        |
| TOTAL LIABILITIES      | \$ <u><u>18,682</u></u> |

The notes to the financial statements are an integral part of this statement.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

INTRODUCTION

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 Expressway 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 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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Financial Reporting Entity:

GASB Statement No. 14, *The Financial Reporting Entity*, establishes standards for defining and reporting on the financial entity. The standards indicate that 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 the standards. 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  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

The Financial Reporting Entity: (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.

Basis of Presentation:

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Funds:

The District uses funds to maintain its financial records during the year. Funds of the District are classified into two categories, governmental and fiduciary, as follows:

Governmental Fund Types:

General Fund – is the primary operating fund. It accounts for all financial resources, except those required to be accounted for in another fund.

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

Special Revenue Fund – is used to account for the revenue and expenditures of Downtown Development Unlimited, which the District has designated to be accounted for separately.

Fiduciary Fund Type:

Fiduciary fund reporting focuses on net position and changes in net position. The agency fund accounts for assets held by the District as an agent for contractors of the Girod Street Project. The District agreed to administer this project through a cooperative endeavor agreement with the State of Louisiana Office of Planning and Control of the Division of Administration.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

Government-Wide and Fund Financial Statements:

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. 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 or capital requirements of a particular function or identifiable activity. Ad valorem taxes and other items not properly included among program revenues are reported instead as general revenues.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Government-Wide and Fund Financial Statements: (Continued)

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

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. Protested taxes are recorded when 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  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation: (Continued)

Government-Wide and Fund Financial Statements: (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 recognizes assets, liabilities, revenues and expenses under government mandated and voluntary non-exchange transactions when all applicable eligibility and time restrictions have been met.

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 amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Legal Compliance – Budgets:

The District follows the procedures prescribed by Act 478 as amended by the State of Louisiana Legislature effective January 1, 1997. Relevant portions of those procedures are:

- The Board of Commissioners of the District shall prepare, or cause to be prepared, a plan or plans specifying the public improvements, facilities and services proposed to be furnished, constructed or acquired for the District.
- Any plan shall include: (a) an estimate of the annual and aggregate cost of acquiring, 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 pay the cost of furnishing specified services, and the proportion of such tax to be set aside and dedicated to pay the cost of capital improvements or pay 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.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Legal Compliance – Budgets: (Continued)

- 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 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.

Cash and Cash Equivalents:

Cash and cash equivalents include cash on hand, demand deposits and money market accounts.

Investments:

Investments are limited by Louisiana Revised Statute (R.S.) 33:2955 and the Office's investment policy. Louisiana Revised Statute (R.S.) 33:2955 authorizes the Office to invest in (1) direct obligations of the United States Treasury, the principal and interest of which are fully guaranteed by the federal government, (2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by federal agencies or U.S. government instrumentalities, (3) direct security repurchase agreements of any federal book entry only securities, (4) time certificates of deposits of state banks organized under the laws of Louisiana and national banks having their principal offices in the state of Louisiana, savings accounts or shares of savings and loan associations, (5) in mutual or trust fund institutions, which are registered with the Securities

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Investments: (Continued)

and Exchange Commission under the Securities Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the U.S. government or its agencies, or (6) guaranteed investment contracts issued by a bank, financial institution, insurance company or other entity having one of the two highest short-term rating categories of either Standard & Poor's Corporation or Moody's Investors Service, provided that no such investment may be made except in connection with a financial program approved by the State Bond Commission.

In accordance with government account standards, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are stated at fair value as determined by quoted market prices; except that short-term, highly liquid investments that have a remaining maturity at the time of purchase of one year or less are shown at amortized cost. 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. Estimated uncollectible amounts were determined to be property tax receivable balances over five years old based on historical experience rates. The allowance for uncollectible ad valorem taxes receivable was \$312,793 at December 31, 2014.

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.

Capital Assets:

The District's capitalization policy requires that all single assets costing \$500 or more be capitalized and depreciated over their useful lives. Single assets costing less than \$500 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 asset is purchased. Based on its own experience, the District established the following estimated useful lives for each asset class:

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Capital Assets: (Continued)

| <u>Assets</u>                 | <u>Estimated<br/>Useful Lives</u> |
|-------------------------------|-----------------------------------|
| Public Works                  | 5 – 7 years                       |
| Motor Vehicles                | 5 years                           |
| Computer Equipment            | 3 – 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 expenditures.

The proceeds from Series 2001 bonds were used for various capital improvements to the infrastructure in the vicinity of Canal Street and other areas within the District. These improvements are included in the capital assets of the City of New Orleans. The 2001 series was refunded in 2012 and a new 2012 series was issued.

Long-term Debt:

In the government-wide financial statements, long-term debt and other long-term debt obligations are reported as liabilities in the statement of net position. Bond premiums and discounts 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. Bond issuance costs are expensed in the period incurred.

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 in debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Compensated Absences:

While paid time off is accrued when earned for government-wide financial statements, it is recognized when paid in the governmental fund financial statements. Compensated absences are paid by the general fund.

Net Position:

In the government-wide financial statements, the difference between the District's assets and liabilities is recorded as net position. The three components of net position are as follows:

Invested in capital assets, net of related debt – The category records capital assets net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings attributable to the acquisition, construction or improvement of capital assets.

Restricted net position – Net positions that are restricted by external sources such as creditors, grantors, contributors, or by law are reported separately as restricted net position.

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.

Unrestricted net position – consists of net positions that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Governmental Fund Balances:

Generally, governmental fund balances present the difference between the assets and liabilities under the current financial resources measurement focus of accounting. Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on specific purposes for which amounts in those resources can be spent. Fund balances are classified as follows:

- Non-spendable fund balance—amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.
- Restricted fund balance—amounts constrained for specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions, or by enabling legislation.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Governmental Fund Balances: (Continued)

- Committed fund balance—amounts constrained for specific purposes by the District itself, using its highest level of decision-making authority, the Board of Commissioners. To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the District intends to use for a specific purpose that are neither considered restricted nor committed. Intent can be expressed by the District or by an official or body to which the District delegates the authority. Under the District’s policy, the Board of Commissioners can approve the assigned amounts for specific purposes.
- Unassigned fund balance—the residual amount of fund balance which does not fall into one of the other components.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the policy of the District to generally consider restricted amounts to be reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the District that committed amounts would be reduced first, followed by assigned amounts, then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used. The District does not have a formal minimum fund balance policy.

Employee Benefits:

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

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.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

2. 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 21.32 mills. Collection has been suspended at 14.76 mills for the year ended December 31, 2014. The District levied 14.76 mills on real property within its area for 2014. 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 2014, collected during 2014, or expected to be collected in 2014 are recognized as revenues in 2014. Taxes levied for 2015, but collected in 2014, are reflected as unearned revenues.

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

Certain property owners made tax payments under protest which had not been resolved at December 31, 2014, in the amount of \$499,321. As of December 31, 2014, these funds are held in escrow by the City of New Orleans.

3. LEVY OF TAX ASSESSMENT:

According to 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 as in the current year.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents consisted of the following as of December 31, 2014:

|                                 | <u>Amount</u>       |
|---------------------------------|---------------------|
| Cash on hand                    | \$ 300              |
| Demand deposits                 | 1,114,714           |
| Money market accounts           | <u>3,016,649</u>    |
| Total cash and cash equivalents | <u>\$ 4,131,663</u> |

Restricted Cash and Cash Equivalents:

At December 31, 2014, the Board of Liquidation, as fiscal agent of the District, held on their behalf cash and money market accounts in the amount of \$2,860,884. Of this amount, \$262,642 was restricted for debt service obligations.

Custodial Credit Risk:

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Under state law, all deposits are to be secured by federal depository insurance or the pledge of securities held by the pledging bank's agent in the District's name. As of December 31, 2014 demand deposits and money market account bank balances of \$1,288,664 were entirely secured by federal deposit insurance and pledged securities held by financial institutions in the name of the District. Cash and money market accounts held by the Board of Liquidation in the amount of \$2,860,884 were fully covered by pledged securities held by financial institutions in the name of the Board of Liquidation, acting as fiscal agent for the District.

5. CAPITAL ASSETS:

A summary of changes in capital assets follows:

| <u>Description</u>             | <u>Beginning<br/>Balance</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Ending<br/>Balance</u> |
|--------------------------------|------------------------------|--------------------|------------------|---------------------------|
| Office furniture               | \$ 127,245                   | \$ 195             | \$ -             | \$ 127,440                |
| Computer equipment             | 78,371                       | 14,629             | -                | 93,000                    |
| Leasehold improvements         | 172,176                      | -                  | -                | 172,176                   |
| Office equipment               | 22,353                       | -                  | -                | 22,353                    |
| Motor vehicles                 | 68,094                       | -                  | -                | 68,094                    |
| Public works property          | <u>22,323</u>                | <u>350</u>         | -                | <u>22,673</u>             |
| Subtotal                       | 490,562                      | 15,174             | -                | 505,736                   |
| Less: accumulated depreciation | <u>(342,544)</u>             | <u>(62,542)</u>    | -                | <u>(405,086)</u>          |
| Total                          | <u>\$ 148,018</u>            | <u>\$ (47,368)</u> | <u>\$ -</u>      | <u>\$ 100,650</u>         |

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

5. CAPITAL ASSETS: (Continued)

Depreciation expense was charged to functions as follows:

| <u>Function</u>           | <u>Amount</u>    |
|---------------------------|------------------|
| Administration            | \$ 11,239        |
| Communications and events | 6,688            |
| Economic development      | 6,354            |
| Public space operations   | 25,427           |
| Public safety             | <u>12,834</u>    |
| Total                     | <u>\$ 62,542</u> |

6. LONG-TERM DEBT:

The following is a summary of the long-term debt obligation transactions for the year ended December 31, 2014:

| <u>Long-Term Debt</u>                             | <u>Beginning<br/>Balance</u> | <u>Additions</u> | <u>Retirements</u>  | <u>Ending<br/>Balance</u> | <u>Current<br/>Portion</u> |
|---|------------------------------|------------------|---------------------|---------------------------|----------------------------|
| DDD Limited Tax<br>Refunding Bonds<br>Series 2012 | \$ 4,900,000                 | \$ -             | \$ (315,000)        | \$ 4,585,000              | \$ 320,000                 |
| Cooperative<br>Endeavor<br>Agreement              | <u>1,444,244</u>             | -                | <u>(83,421)</u>     | <u>1,360,823</u>          | <u>87,292</u>              |
| Total   | <u>\$ 6,344,244</u>          | <u>\$ -</u>      | <u>\$ (398,421)</u> | <u>\$ 5,945,823</u>       | <u>\$ 407,292</u>          |

Interest on long-term debt is considered an indirect expense and is reported separately on the statement of activities. Total interest expense incurred for the year ended December 31, 2014 was \$198,333.

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 were 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  
DECEMBER 31, 2014

6. LONG-TERM DEBT: (Continued)

Bonds: (Continued)

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 were dated July 1, 2001 and due on December 1, 2001 through December 1, 2026 and bore interest ranging from 4.2% to 6.6%.

The Series 2001 bonds were refunded by the Limited Tax Refunding Bonds, Series 2012 on July 9, 2012. The reacquisition price of the Series 2001 was the same as the carrying value of the bonds.

On June 13, 2012, the District issued \$5,485,000 of Limited Tax Refunding Bonds, Series 2012 for the purpose of refunding the Limited Tax Bonds, Series 2001. The bonds mature December 1, 2026 and bear a fixed interest rate of 2.68%. At December 31, 2014, \$4,585,000 of the bonds was outstanding.

Interest rates on the Series 2001 bonds ranged from 4.2% to 6.6%, whereas the interest rate on the Series 2012 bonds is fixed at 2.68%. The decrease in interest rates resulted in an economic gain on the refunding of \$839,168 (the difference between the present values of the Series 2001 and Series 2012 cash flows). The refunding resulted in a reduction of debt service payments in the amount of \$1,114,502 through the maturity of the bonds in December 2026.

Payment of principal and interest on the Series 2012 bonds 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, 2014, the Board of Liquidation, City Debt has \$262,642 on the Series 2012 bonds held in escrow for the payment of future debt service in connection with the bonds issued.

The annual requirements to amortize principal and interest on bonds outstanding at December 31, 2014 are as follows:

| <u>Year Ending</u> | <u>Principal Payments</u> | <u>Interest Payments</u> | <u>Total</u>        |
|--------------------|---------------------------|--------------------------|---------------------|
| 2015               | \$ 320,000                | \$ 122,878               | \$ 442,878          |
| 2016               | 330,000                   | 114,302                  | 444,302             |
| 2017               | 345,000                   | 105,458                  | 450,458             |
| 2018               | 350,000                   | 96,212                   | 446,212             |
| 2019               | 365,000                   | 86,832                   | 451,832             |
| 2020 – 2024        | 1,990,000                 | 282,204                  | 2,272,204           |
| 2025 – 2027        | <u>885,000</u>            | <u>35,778</u>            | <u>920,778</u>      |
| Totals             | <u>\$ 4,585,000</u>       | <u>\$ 843,664</u>        | <u>\$ 5,428,664</u> |

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

6. LONG-TERM DEBT: (Continued)

Cooperative Endeavor Agreement – State of Louisiana:

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 \$1,600,153 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, 2014, the balance owed to the State of Louisiana under the agreement is \$1,360,823.

At December 31, 2014, the future payments on the cooperative endeavor agreement with the State of Louisiana are as follows:

| <u>Year Ending</u> | <u>Principal Payments</u> | <u>Interest Payments</u> | <u>Total</u>        |
|--------------------|---------------------------|--------------------------|---------------------|
| 2015               | \$ 87,292                 | \$ 63,142                | \$ 150,434          |
| 2016               | 91,342                    | 59,092                   | 150,434             |
| 2017               | 95,580                    | 54,854                   | 150,434             |
| 2018               | 100,015                   | 50,419                   | 150,434             |
| 2019               | 104,656                   | 45,778                   | 150,434             |
| Thereafter         | <u>881,938</u>            | <u>171,099</u>           | <u>1,053,037</u>    |
| Totals             | <u>\$ 1,360,823</u>       | <u>\$ 444,384</u>        | <u>\$ 1,805,207</u> |

7. 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.

Compensated absence activity for the year ended December 31, 2014 was as follows:

|                   |                  |
|-------------------|------------------|
|                   | <u>Amount</u>    |
| Beginning Balance | \$ 48,947        |
| Additions         | 120,581          |
| Reductions        | <u>(107,782)</u> |
| Ending Balance    | <u>\$ 61,746</u> |

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

8. DEFICIT NET POSITION:

As of December 31, 2014, the net position of the District shows a deficit balance of \$1,430,228. This deficit was caused when the proceeds from bonds were used for various capital improvements to the infrastructure in the vicinity of Canal Street and other areas within the District. The liability for the bonds is recorded on the District's government-wide financial statements; however, these improvements are included in the capital assets of the City of New Orleans. This deficit will be reduced through future property tax revenues.

9. INTERFUND TRANSFERS:

Transfers are used to move funds from the general fund to the debt service fund to maintain necessary balances with bond covenants. During 2014, the general fund transferred out \$594,818 to the debt service fund.

10. EMPLOYEE RETIREMENT PLAN AND WHOLE LIFE INSURANCE:

Retirement Plan:

In 1993, the District established a defined contribution retirement plan for its employees. Effective January 1, 2012, the District changed its contributions to the plan to 3% of eligible employees' salaries, regardless of any contribution from employees. The District also matches 3% of employee voluntary contributions, limited to 3% of the employee's salary. All full-time employees twenty-one years of age and over are eligible to participate in the plan.

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 2014 was \$60,557 which was paid to American United Life for deposit with designated fund agencies who are to manage the investment of the plan's assets. Total contributions made by employees were \$44,989 for the year ended December 31, 2014.

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 amount of insurance provided to each employee is \$200,000. The insurance policies are purchased in the name of and owned by each employee. Monthly premiums are paid by the District to Lincoln National Life. Premiums paid in 2014 by the District for these employee policies total \$16,606.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

11. COMMITMENTS:

Operating Leases:

The District leases office space at 201 St. Charles Avenue. The lease commenced in April 2006 and expires in March 2016. Future minimum rental payments are as follows:

| <u>Year Ending</u> | <u>Amount</u>     |
|--------------------|-------------------|
| 2015               | \$ 121,329        |
| 2016               | <u>30,332</u>     |
| Total              | <u>\$ 151,661</u> |

Total expenditures for rental of office space were \$134,340 during the year ended December 31, 2014.

Façade and Sidewalk Improvement Grants:

During 2014, the District approved grants for façade and sidewalk improvements. As of December 31, 2014, the District did not have any outstanding grants payable. Façade and sidewalk improvement expenditures totaled \$188,000 for the year ended December 31, 2014.

12. CONTINGENCIES – LITIGATION:

The District is a defendant in various lawsuits such as personal injury, property damage, and other employment related claims. These claims are covered by insurance subject to a deductible per occurrence. Attorneys of the District have reviewed these claims and lawsuits to evaluate the likelihood of an unfavorable outcome to the District. Loss contingencies have been estimated to be immaterial. Therefore, no accrual has been recorded in these financial statements.

13. CONTINGENCIES – GRANT PROGRAMS:

The District participates in state and federal grant programs which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of money received and the collectability of any related receivable as of December 31, 2014 might be impaired. In management's opinion there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and the District.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014

14. AD VALOREM TAX WITHHELD:

As of December 31, 2014, the City of New Orleans has withheld \$102,679 of property taxes collected on behalf of the District for the purpose of funding various State retirement systems. It is the opinion of the District’s general counsel and the State Attorney General that proceeds from the District’s ad valorem tax can only be used for public improvements, facilities and services, and debt service on bonds of the City issued for capital improvements and facilities within the District. Management is not able to determine when the City will remit these funds to the District. Accordingly, a receivable has not been recorded as of December 31, 2014.

15. 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. REVENUE CONCENTRATION:

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

17. PER DIEM PAID TO BOARD OF COMMISSIONERS:

The Board of Commissioners in the capacity as board members received no per diem amounts for the year ended December 31, 2014.

18. CHANGES IN AGENCY FUND:

A summary of changes in the District’s Agency Fund is as follows:

|                         | Balance<br>January 1,<br><u>2014</u> | <u>Additions</u>  | <u>Reductions</u> | Balance<br>December 31,<br><u>2014</u> |
|-------------------------|--------------------------------------|-------------------|-------------------|--|
| Girod Street<br>Project | \$ <u>      -</u>                    | \$ <u>328,000</u> | \$ <u>309,318</u> | \$ <u>18,682</u>                       |

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

|   | Original<br><u>Budget</u> | Final<br><u>Budget</u> | <u>Actual</u>       | <u>Variance</u>   |
|---|---------------------------|------------------------|---------------------|-------------------|
| Operating Revenues:   |                           |                        |                     |                   |
| Internal sources (events, state, federal, etc.)                               | \$ 329,650                | \$ 208,951             | \$ 157,240          | \$ (51,711)       |
| Ad valorem taxes  | <u>5,744,007</u>          | <u>5,796,693</u>       | <u>6,121,929</u>    | <u>325,236</u>    |
| Total operating revenues  | <u>6,073,657</u>          | <u>6,005,644</u>       | <u>6,279,169</u>    | <u>273,525</u>    |
| Operating Expenditures:   |                           |                        |                     |                   |
| Administration  | 974,378                   | 956,014                | 935,722             | (20,292)          |
| Communications and events   | 574,646                   | 533,089                | 554,538             | 21,449            |
| Public space operations   | 2,206,728                 | 2,224,564              | 2,146,367           | (78,197)          |
| Public safety   | 1,122,274                 | 1,051,516              | 1,111,012           | 59,496            |
| Economic development and planning   | 556,878                   | 550,878                | 536,402             | (14,476)          |
| Capital outlays   | <u>12,000</u>             | <u>45,797</u>          | <u>15,174</u>       | <u>(30,623)</u>   |
| Total operating expenditures  | <u>5,446,904</u>          | <u>5,361,858</u>       | <u>5,299,215</u>    | <u>(62,643)</u>   |
| Net operating income  | <u>626,753</u>            | <u>643,786</u>         | <u>979,954</u>      | <u>336,168</u>    |
| Non-Operating Revenue:  |                           |                        |                     |                   |
| Interest  | <u>-</u>                  | <u>-</u>               | <u>8,771</u>        | <u>8,771</u>      |
| Total non-operating revenue   | <u>-</u>                  | <u>-</u>               | <u>8,771</u>        | <u>8,771</u>      |
| Non-Operating Expenses:   |                           |                        |                     |                   |
| Canal Street/District-wide capital improvements                               | <u>2,030,000</u>          | <u>47,500</u>          | <u>-</u>            | <u>* (47,500)</u> |
| Total non-operating expenditures  | <u>2,030,000</u>          | <u>47,500</u>          | <u>-</u>            | <u>(47,500)</u>   |
| Surplus (deficit) of revenue over expenditures<br>before other financing uses | (1,403,247)               | 596,286                | 988,725             | 392,439           |
| Operating transfers in  | -                         | -                      | -                   | -                 |
| Operating transfers out   | <u>(596,753)</u>          | <u>(596,753)</u>       | <u>(594,818)</u>    | <u>1,935</u>      |
| Net change in fund balances   | (2,000,000)               | (467)                  | 393,907             | 394,374           |
| Fund balance at the beginning of year   | <u>3,814,372</u>          | <u>3,814,372</u>       | <u>3,814,372</u>    | <u>-</u>          |
| Fund balance at the end of year   | <u>\$ 1,814,372</u>       | <u>\$ 3,813,905</u>    | <u>\$ 4,208,279</u> | <u>\$ 394,374</u> |

\* \$23,400 actual expenditures allocated to operating expenditures

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
SUPPLEMENTARY INFORMATION  
NON-MAJOR GOVERNMENTAL FUND  
BALANCE SHEET  
SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

Downtown  
Development  
Unlimited

ASSETS

|                           |                        |
|---------------------------|------------------------|
| Assets                    |                        |
| Cash and cash equivalents | \$ <u>5,770</u>        |
| Total assets              | \$ <u><u>5,770</u></u> |

FUND BALANCE

|                    |                        |
|--------------------|------------------------|
| Fund Balance       |                        |
| Unassigned         | \$ <u>5,770</u>        |
| Total fund balance | \$ <u><u>5,770</u></u> |

THE DOWNTOWN DEVELOPMENT DISTRICT  
 OF THE CITY OF NEW ORLEANS  
 SUPPLEMENTARY INFORMATION  
 NONMAJOR GOVERNMENTAL FUND  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2014

|                                     | Downtown<br>Development<br><u>Unlimited</u> |
|-------------------------------------|---|
| Revenue:                            |   |
| Other                               | \$ <u>10,000</u>                            |
| Total revenue                       | <u>10,000</u>                               |
| Expenditures:                       |   |
| Administration                      | 180   |
| Communications and events           | <u>10,000</u>                               |
| Total expenditures                  | <u>10,180</u>                               |
| Excess of expenditures over revenue | (180)                                       |
| Fund balance:                       |   |
| Beginning of year                   | <u>5,950</u>                                |
| End of year                         | \$ <u><u>5,770</u></u>                      |

THE DOWNTOWN DEVELOPMENT DISTRICT  
 OF THE CITY OF NEW ORLEANS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS  
 TO AGENCY HEAD OR CHIEF EXECUTIVE OFFICER  
DECEMBER 31, 2014

Agency head Name: Kurt M. Weigle, CEO President

| <b>Purpose</b>           | <b>Amount</b> |
|--------------------------|---------------|
| Salary                   | 194,600.22    |
| Benefits-insurance       | 6,087.96      |
| Benefits-retirement      | 10,722.40     |
| Benefits- parking        | 900.00        |
| Mileage Reimbursement    | 8.00          |
| Parking Reimbursements   | 13.10         |
| Cell Phone               | 1,033.94      |
| Meals & Entertainment    | 125.14        |
| Travel                   | 2,781.98      |
| Registration fees        | 1,330.00      |
| Conference travel        | 3,770.30      |
| Professional Development | 4,919.86      |
|                          |               |

Benefits – parking = \$75/month parking allowance available to all full-time employees.

Cell Phone = Cellular phone issued to select staff for official business.

Registration Fees = International Downtown Association Conference & International Council of Shopping Centers Convention.

Professional Development = Council for a Better Louisiana Leadership Louisiana Program



DUPLANTIER, HRAPMANN,  
HOGAN & MAHER, L.L.P.

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GUY L. DUPLANTIER, C.P.A.  
MICHELLE H. CUNNINGHAM, C.P.A.  
DENNIS W. DILLON, C.P.A.  
GRADY C. LLOYD, III, C.P.A.

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FELIX J. HRAPMANN, JR, C.P.A. (1919-1990)  
WILLIAM R. HOGAN, JR., CPA (1920-1996)  
JAMES MAHER, JR, C.P.A. (1921-1999)

INDEPENDENT AUDITOR'S 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

June 9, 2015

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

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Downtown Development District of the City of New Orleans (the District), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 9, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiency in internal control that we consider to be material weaknesses. However, as described in the accompanying schedule of findings and responses as item #2014-01, we identified a deficiency in internal control that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from 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 or material effect on the determination of financial statements 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*.

### **District's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statutes 24:513, this report is distributed by the Legislative Auditor as a public document.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Section I – Summary of Auditor’s Results**

Financial Statements

Type of auditor’s report issued: Unmodified

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

**Section II - Findings Required to be Reported Under Generally Accepted Governmental Auditing Standards**

Communications with the City of New Orleans: (2014-01)

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. The 2014 information was not received timely.

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.

Cause

The City of New Orleans has not implemented a system to facilitate the timely reporting of ad valorem tax information to the District’s accounting department.

Effect

The inability of the District to receive timely information regarding ad valorem taxes from the City of New Orleans resulted in the District making financial decisions without an accurate accounting of ad valorem tax revenue.

THE DOWNTOWN DEVELOPMENT DISTRICT  
OF THE CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2014

**Section II - Findings Required to be Reported Under Generally Accepted Governmental Auditing Standards (Continued)**

Communications with the City of New Orleans: (2014-01) (Continued)

Recommendation

It is recommended that the management of the District continues to have an ongoing 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 District continues in efforts to rectify this situation with the City of New Orleans. Management and members of the Board of Commissioners from the District have met with the City Administration in an attempt to resolve this issue. While there has been improvement with the City, there is still significant progress needed in providing us with all pertinent information on a regular and timely basis. Management of the District will continue to utilize all resources at its disposal in engaging the current City Administration in resolving this matter.

**Section II – Summary of Prior Year Audit Findings**

Communications with the City of New Orleans: (2013-01)

This matter was not resolved; see repeated comment 2014-01 above.