

**INDUSTRIAL DEVELOPMENT BOARD OF THE
CITY OF NEW ORLEANS, LOUISIANA, INC.**

FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015



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**Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
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December 31, 2016**

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REPORT



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INDEPENDENT AUDITORS' REPORT

Board of Directors
Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Industrial Development Board of the City of New Orleans, Louisiana, Inc. ("IDB"), which comprise the Statements of Financial Position as of December 31, 2016 and 2015, and the related Statements of Activities, and Cash Flows for the years then ended, and the related notes to the financial statements.

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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

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 IDB'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 IDB'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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IDB as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statements of Functional Expenses on pages 10 and 11 and the Schedule of Compensation, Benefits, and Other Payments to Agency Head (as required by Louisiana Revised Statute 24:513(A)(3)) on page 12 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 12, 2017, on our consideration of IDB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IDB's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

June 12, 2017



FINANCIAL STATEMENTS

**The Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Statements of Financial Position**

| <i>December 31,</i> | <i>2016</i> | <i>2015</i> |
|---------------------------------------|------------------|------------------|
| ASSETS | | |
| Current Assets | | |
| Cash | \$ 713,155 | \$ 695,539 |
| Certificates of deposit | 1,561,799 | 1,461,461 |
| Accrued interest receivable | 5,135 | 6,294 |
| Prepaid expenses | 7,649 | 12,405 |
| <hr/> | | |
| Total current assets | 2,287,738 | 2,175,699 |
| <hr/> | | |
| Total assets | \$ 2,287,738 | \$ 2,175,699 |
| <hr/> | | |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities | | |
| Deferred revenues | \$ 7,500 | \$ - |
| Accounts payable and accrued expenses | 15,015 | 264 |
| <hr/> | | |
| Total current liabilities | 22,515 | 264 |
| <hr/> | | |
| Unrestricted net assets | 2,265,223 | 2,175,435 |
| <hr/> | | |
| Total liabilities and net assets | \$ 2,287,738 | \$ 2,175,699 |
| <hr/> | | |

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

**The Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Statements of Activities**

| <i>For the years ended December 31,</i> | 2016 | 2015 |
|---|---------------------|---------------------|
| Revenues | | |
| Annual administrative fees | \$ 349,426 | \$ 344,486 |
| Six Flags income | 10,025 | 225,910 |
| Closing costs | 26,495 | 57,961 |
| Interest income | 16,659 | 16,471 |
| Application fees | 15,000 | 9,000 |
| Total revenues | 417,605 | 653,828 |
| Expenses | | |
| Program services | 97,933 | 116,836 |
| Support services | 46,109 | 45,309 |
| Six Flags - Security | 122,938 | - |
| Six Flags - Professional Fees | 32,162 | - |
| Six Flags - Maintenance | 18,044 | 11,245 |
| Six Flags - Insurance | 10,631 | - |
| Total expenses | 327,817 | 173,390 |
| Increase in unrestricted net assets | 89,788 | 480,438 |
| Unrestricted net assets, beginning of year | 2,175,435 | 1,694,997 |
| Unrestricted net assets, end of year | \$ 2,265,223 | \$ 2,175,435 |

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

**The Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Statements of Cash Flows**

| <i>For the years ended December 31,</i> | 2016 | 2015 |
|--|-------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase in unrestricted net assets | \$ 89,788 | \$ 480,438 |
| Adjustments to reconcile increase in unrestricted net assets to net cash provided by operating activities: | | |
| Decrease (increase) in accrued interest receivable | 1,159 | (2,535) |
| Decrease (increase) in prepaid expenses | 4,756 | (1,982) |
| Decrease in security deposit | - | (15,000) |
| Increase in accounts payable and accrued expenses | 14,751 | 264 |
| Increase (decrease) in deferred revenues | 7,500 | (87,360) |
| Net cash provided by operating activities | 117,954 | 373,825 |
| Cash flows from investing activities: | | |
| Purchases and interest of certificates of deposit | (100,338) | (395,896) |
| Net cash used in investing activities | (100,338) | (395,896) |
| Net increase (decrease) in cash | 17,616 | (22,071) |
| Cash and cash equivalents at beginning of year | 695,539 | 717,610 |
| Cash and cash equivalents at end of year | \$ 713,155 | \$ 695,539 |

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



**Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Notes to Financial Statements**

NOTE 1: NATURE OF THE ORGANIZATION

Industrial Development Board of the City of New Orleans, Louisiana, Inc. (“IDB”) is a Louisiana non-profit corporation organized pursuant to the provisions of Title 51, Chapter 7 of the Louisiana Revised Statutes. IDB was created by the New Orleans City Council in 1972 to promote the retention, expansion, and attraction of business and commercial enterprises in Orleans Parish and to expand employment opportunities. IDB has the ability to issue taxable and tax exempt revenue bonds and other obligations to acquire land, construct, purchase, or renovate buildings to acquire and install machinery and equipment, and to finance any other economic development efforts. IDB can issue bonds without the necessity of calling a public bond election or having a public sale of bonds. The bonds (either taxable or tax exempt) are financed by the developer. Tax exempt bonds provide the incentive of a below market interest rate. IDB may also offer a Payment in Lieu of Taxes (“PILOT”). A PILOT, if granted, may assist the developer with their financing of the project.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The financial statements are reported on the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Basis of Presentation

Under accounting principles generally accepted in the United States, IDB reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. All of IDB's assets are classified as unrestricted; there were no temporarily or permanently restricted net assets at December 31, 2016 and 2015.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

Cash and cash equivalents have been defined by IDB as those amounts included in the Statement of Financial Position caption "Cash." IDB considers all highly liquid debt instruments with original maturities at purchase of three months or less to be cash equivalents.

Certificates of deposit

Certificates of deposit are stated at cost which approximates fair value. Certificate terms typically range from six months to one year.

Accrued interest receivable

Accrued interest receivable is recorded for interest earned on certificates of deposit. The accrued interest is adjusted to actual interest earned based on the renewal dates.

Fixed Assets and Long-Term Liabilities

Currently, IDB is the property owner of record for Six Flags (See Note 5), but IDB does not outright own the property or any fixed assets, and has no long-term liabilities, if any, that are required to be reflected on the accompanying Statements of Financial Position.

Revenue recognition

Revenues are recognized when they are earned. The main source of revenue pertains to annual administrative fees which are fees collected on projects (with or without a bond issuance) that involves a PILOT.

Deferred Revenue

Deferred revenue consists of prepaid funds received by IDB from clients related to the future use of the Six Flag lands. There was deferred revenue of \$7,500 and \$0 at December 31, 2016 and 2015, respectively.

Functional allocation of expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among programs and supporting services benefitted.

**Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Notes to Financial Statements**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising

Advertising costs are expensed as incurred. There were no advertising expenses in 2016. Advertising expenses were \$112 in 2015.

Subsequent events

In preparing these financial statements, IDB has evaluated events and transactions for potential recognition or disclosure through June 12, 2017, the date the financial statements were available to be issued and noted no items for disclosure.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Federal Deposit Insurance Corporation ("FDIC") provides insurance coverage under defined dollar limits. The FDIC is not obligated to pay uninsured deposits. IDB maintains demand and time deposit accounts at various banks. At times, the balance may exceed the federally insured amount. At December 31, 2016 and 2015, IDB's cash deposits exceeded the FDIC limits by \$261,913 and \$2,203, respectively. IDB has not experienced any losses in such accounts.

NOTE 4 - ECONOMIC ENVIRONMENT

Income is dependent primarily upon IDB receiving a sufficient number of applications wherein the applicant/developer is seeking bond financing through IDB and, additionally in some instances, a PILOT. In the long-term, these applications and the subsequent successful bond issuance generate closing costs income and potentially annual administrative fees if a PILOT is involved. All such projects occur in Orleans Parish. A decline in local and general economic conditions could affect the generation of revenue.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Prior to 2005, the Six Flags project (an amusement park) in New Orleans East received a PILOT. In cases where Projects are granted a PILOT, the property is placed in the name of the IDB to ensure that the property is tax exempt. In July 2008, the IDB granted a right-of-way that generated a one-time fee of \$112,584. These funds were deposited in a separate interest-bearing cash account. At the request of the City of New Orleans, in 2009, as a result of the settlement of Six Flags bankruptcy proceedings with the SFJ Management (previous owners of Six Flags), by the request of the City, the IDB agreed to take ownership of not only the initial lands, but an additional 60 plus acres given to the City in the bankruptcy settlement. The Six Flags site has been abandoned since 2005. Beginning in 2011, the IDB began leasing the site to film companies and has utilized funds generated from the



**Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Notes to Financial Statements**

NOTE 5 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

Six Flags cash accounts to cover costs of minimal grounds maintenance, insurance and security of the site; these funds continue to be depleted as of December 31, 2016.

NOTE 6 - SIX FLAGS AGREEMENTS

IDB has signed multiple short-term lease agreements with film companies. The agreements give the companies the right to use the Six Flags property for movie filming. There were no concession agreements signed for the year ended December 31, 2016. During the year ended December 31, 2015, IDB began receiving a \$350 fee for each day that the Six Flags property was under use for filming. This agreement terminated August 31, 2015.

IDB received income related to Six Flags of \$10,025 and \$225,910, for the years ended December 31, 2016 and 2015, respectively.

IDB hired security to maintain 24-hour security at the Six Flags site in April 2016. With the constant 24-hour security service, the security personnel on an 8-hour shift will make no less than four trips through the amusement park, along with maintaining vigilance at the two main gates. Payment for this service is due upon receipt of monthly invoices. Unpaid invoices exceeding thirty days are subject to a 1.5% interest charge. The cost of this service is approximately \$500 per day. Security costs for the year ended December 31, 2016 were \$122,938.



SUPPLEMENTARY INFORMATION

**The Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Statement of Functional Expenses**

| <i>For the year ended December 31, 2016</i> | Program Services | Support Services | Total |
|---|-------------------------|-------------------------|-------------------|
| Six Flags expenses | \$ 183,775 | \$ - | \$ 183,775 |
| Payroll and related expenses | 74,727 | 28,890 | 103,617 |
| Professional fees | 15,992 | - | 15,992 |
| Rental expense | - | 7,000 | 7,000 |
| Office expense and supplies | 950 | 5,954 | 6,904 |
| Parking | 1,618 | 1,618 | 3,236 |
| Insurance | 1,276 | 1,276 | 2,552 |
| Website expense | 2,400 | - | 2,400 |
| Meeting and travel | 970 | 969 | 1,939 |
| Postage and delivery | - | 322 | 322 |
| Miscellaneous | - | 80 | 80 |
| Total | \$ 281,708 | \$ 46,109 | \$ 327,817 |

See independent auditors' report.

**The Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Statement of Functional Expenses**

| <i>For the year ended December 31, 2015</i> | Program Services | Support Services | Total |
|---|-------------------------|-------------------------|-------------------|
| Payroll and related expenses | \$ 70,755 | \$ 27,303 | \$ 98,058 |
| Professional fees | 40,048 | - | 40,048 |
| Six Flags expenses | 11,245 | - | 11,245 |
| Rental expense | - | 6,890 | 6,890 |
| Office expense and supplies | 948 | 5,841 | 6,789 |
| Parking | 1,645 | 1,645 | 3,290 |
| Website expense | 1,480 | 1,480 | 2,960 |
| Insurance | 1,309 | 1,309 | 2,618 |
| Meeting and travel | 539 | 538 | 1,077 |
| Postage and delivery | - | 288 | 288 |
| Miscellaneous | 112 | 15 | 127 |
| Total | \$ 128,081 | \$ 45,309 | \$ 173,390 |

See independent auditors' report.



**The Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Schedule of Compensation, Benefits and Other Payments to Agency Head**

Mr. Alan Philipson, Board President, did not receive any compensation, benefits, or other payments for the year ended December 31, 2016.

See independent auditors' report.



**REPORTS REQUIRED BY
*GOVERNMENT AUDITING
STANDARDS***



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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*

Board of Directors
Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
New Orleans, Louisiana

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 Industrial Development Board of the City of New Orleans, Louisiana, Inc. (“IDB”), which comprise the Statements of Financial Position as of December 31, 2016 and 2015, and the related Statements of Activities and Cash Flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 12, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IDB’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IDB’s internal control. Accordingly, we do not express an opinion on the effectiveness of IDB’s internal control.

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 deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IDB'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 and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carly Riggs & Ingram, L.L.C.

June 12, 2017

**Industrial Development Board of the
City of New Orleans, Louisiana, Inc.
Schedule of Findings and Questioned Costs**

A. SUMMARY OF AUDITORS' RESULTS

| | |
|--|------------|
| 1. Type of independent auditors' report | Unmodified |
| 2. Internal control over financial reporting | |
| a. Material weakness identified | No |
| b. Significant deficiencies not considered to be material weaknesses | No |
| c. Noncompliance material to the financial statements noted | No |
| 3. Management letter | No |

B. FINDINGS RELATED TO FINANCIAL STATEMENTS

There were no findings related to the financial statements for the year ended December 31, 2016.

C. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

There were no findings related to compliance and other matters for the year ended December 31, 2016.

A. FINDINGS RELATED TO FINANCIAL STATEMENTS

Material Weakness

Internal Control 2015-001: Assistance in Drafting Financial Statements - Resolved

B. FINDINGS RELATED TO COMPLIANCE AND OTHER MATTERS

Not applicable.

C. MANAGEMENT LETTER

Not applicable.