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**Algiers Development District
of the City of New Orleans**

**Financial Statements
With Independent Auditor's Report Thereon**

Year Ended December 31, 2005

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

Release Date 9-20-06

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INDEPENDENT AUDITOR'S REPORT

Board of Commissions
Algiers Development District of the City of New Orleans
New Orleans, Louisiana

Business



Taxes



Finance



Estates

I have audited the accompanying financial statements of the governmental activities and the general fund of the Algiers Development District of the City of New Orleans, a component unit of the City of New Orleans, as of December 31, 2005, and for the year then ended, which collectively comprise the basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Algiers Development District of the City of New Orleans management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Algiers Development District of the City of New Orleans as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 5 are not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standard Board. The Algiers Development District of the City of New Orleans has not presented a budget that accounting principles generally accepted in the United States has determined to be necessary to supplement, although not required to be part of, the basic financial statements. I have applied certain limited procedures, which consisted principally of inquires of

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Independent Auditor's Report
August 18, 2006

Management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 18, 2006 on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

Brian E. Adorno, CPA
A Professional Corporation

New Orleans, Louisiana
August 18, 2006

The Algiers Development District of the City of New Orleans Management Discussion and Analysis For the Period Ending December 31, 2005

Financial Highlights

Prior Year Activity

The Algiers Development District of the City of New Orleans ("The ADD") began the year with a \$1,153,217 fund balance. This amount was the remaining balance from grants received in prior years and carried over to January 1, 2005 along with income received from the State of Louisiana and the City of New Orleans in connection with the Algiers Economic Development District Number 1, a tax increment (TIF) district located in Algiers.

Summary of 2005 Revenues

In 2005 the ADD continued to receive income from the Algiers Economic Development District Number 1. The Economic Development District collects a portion of sales tax, both city and state, within the District's boundaries. For the year ended December 31, 2005, the ADD deposited \$914,808 in tax revenue. This amount included \$474,928 which was still due from the city and state at the beginning of 2005. In March of 2005, \$500,000 was used to purchase a Certificate of Deposit. Interest earned on the CD for 2005 totaled \$12,243. In October of 2005, \$780,000 was deposited in an account with the Louisiana Asset Management Pool, Inc. (LAMP). Income earned on that account for 2005 totaled \$6,085. Expenditures totaled \$78,472 in satisfaction of its program requirements and administrative fees for the year. Starting with the beginning balance mentioned above, a fund balance of \$1,996,504 was available at the end of the fiscal year. As a result of Hurricane Katrina, the 3rd quarter TIF payments were waived. The 4th quarter TIF payments remained outstanding, with the amounts belatedly determined long after year end per agreement with the City of New Orleans due to the affects of Hurricane Katrina..

Summary of 2005 Program Expenditures

ADD's primary objective for 2005 as in 2004 was preparation for the Base Realignment and Closure proceedings instituted by the United State Department of Defense. Liabilities incurred with ERA pursuant to its contract paid in 2005 were \$66,600. Additional expenses related to the "Save our Military Campaign" totaled \$70,704. We have not spent any funds on property, plant or equipment and the ADD has no historical infrastructure assets.

While ADD has additional powers and opportunities to serve the City of New Orleans and Algiers in particular, the focus for 2005 as in 2004 was clearly on saving our military installation. In August of 2005, we were successful in having the Naval Support Activity

**The Algiers Development District of the City of New Orleans
Management Discussion and Analysis
For the Period Ending December 31, 2005**

removed from the BRAC list. This is the greatest success yet for ADD. The Board will continue to work hard to implement the Federal City Plan at the Naval Support Activity.

Future Activity

The ADD has the clear objective of implementing the Federal City Plan. Our goal over the next year will be to engage a program coordinator, complete architectural planning, engage a master developer and begin the process to proceed with construction as soon as possible.

As sales tax receipts become more static or predictable, ADD will be able to commit to engaging in various economic development projects largely dictated by the Naval Support Activity Base realignment or closure decisions. We will perform comparative analyses of finances and economic development in future years as conditions warrant. Future budgeting of expenditures will be dictated by U.S. Department of Defense decisions as they affect the Algiers Naval Support Activity.

**The Algiers Development District of the City of New Orleans
Management Discussion and Analysis
For the Period Ending December 31, 2005**

**Algiers Development District of the City of New Orleans
Net Assets**

	<u>2005</u>	<u>2004</u>
Current and Other Assets	\$1,997,404	\$1,219,817
Total Assets	\$1,997,404	\$1,219,817
Current Liabilities	\$ 900	\$ 66,600
Total Liabilities	\$ 900	\$ 66,600
Net Assets:		
Restricted	\$1,996,504	\$1,153,217
Total Net Assets	\$1,996,504	\$1,153,217

The Total Net Assets of the funds maintained by the District's governmental activities increased by \$843,287 or approximately 73%. The Restricted Net Assets increased by \$843,287 from \$1,153,217 as of December 31, 2004 to \$1,996,504 as of December 31, 2005.

**Algiers Development District of the City of New Orleans
Change in Net Assets**

	<u>2005</u>	<u>2004</u>
Program Revenues	\$ 903,430	\$1,254,166
Program Expenses	\$ 72,267	\$ 171,737
Administrative Expenses	\$ 6,205	\$ 00
Income from Operations	\$ 824,958	\$1,082,429
Non-operating Revenues	\$ 18,329	\$ 000
Change in Net Assets	\$ 843,287	\$1,082,429
Net assets, beginning of year	\$1,153,217	\$ 70,788
Net assets, end of year	\$1,996,504	\$1,153,217

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
STATEMENTS OF NET ASSETS
DECEMBER 31, 2005

ASSETS

CURRENT ASSETS

Cash	\$247,768
Sales Tax Revenue Receivable	463,551
Investments	<u>1,286,085</u>

TOTAL ASSETS	<u><u>\$1,997,404</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$900
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NET ASSETS RESTRICTED FOR ECONOMIC DEVELOPMENT	<u>1,996,504</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,997,404</u></u>
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SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE PERIOD ENDING DECEMBER 31, 2005

PROGRAM REVENUE

Sales Tax for Economic Development	\$903,430
Interest Income	<u>18,329</u>
TOTAL REVENUE	\$921,759
EXPENSES	
Economic Development	\$72,267
General and Administrative	<u>6,205</u>
TOTAL EXPENSES	\$78,472
NET REVENUE AND CHANGE IN NET ASSETS	\$843,287
NET ASSETS, BEGINNING	<u>1,153,217</u>
NET ASSETS, ENDING	<u><u>\$1,996,504</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENT

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

	<u>GENERAL FUND</u>
ASSETS:	
CASH & CASH EQUITIES	\$247,768
RECEIVABLES:	
Sales Tax	463,551
INVESTMENTS	<u>1,286,085</u>
TOTAL ASSETS	<u>\$1,997,404</u>
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
PAYABLES:	
Account	<u>\$900</u>
TOTAL LIABILITIES	<u>\$900</u>
FUND BALANCES	
RESERVED FOR:	
ECONOMIC DEVELOPMENT	<u>1,996,504</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,997,404</u>

THERE ARE NO RECONCILING DIFFERENCES BETWEEN THE CHANGES IN
GOVERNMENTAL FUND BALANCE TO THE CHANGE IN NET ASSETS OF GOVERNMENTAL
ACTIVITIES.

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENT

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 OF FUND BALANCE - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

	<u>GENERAL FUND</u>
REVENUE:	
Sales Tax	\$903,430
Interest Income	18,329
	\$921,759
EXPENDITURES:	
Economic Development	\$72,267
Administrative	6,205
	\$78,472
TOTAL REVENUE	\$921,759
TOTAL EXPENDITURES	\$78,472
EXCESS OF REVENUE OVER EXPENDITURES	\$843,287
NET CHANGE OF FUND BALANCE	\$843,287
FUND BALANCE, RESTRICTED BEGINNING	1,153,217
FUND BALANCE, RESTRICTED ENDING	\$1,996,504

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENT

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Algiers Development District of the City of New Orleans (hereinafter the "District") is a special taxing district created by legislation embodied in Louisiana Revised Statutes 33:2740.27 as amended effective January 1, 1993. The Council of the City of New Orleans has power and control over and is responsible for the functions and administration of the District. The special taxing district is comprised of all territory within the fifteenth ward of Orleans Parish, State of Louisiana. The District is capable of levying all valorem taxes on real estate in the district in conjunction with planning, developing, constructing or acquiring services, improvements or facilities within the district proper, subject to approval by the City Council of New Orleans. The District has been designated as a local redevelopment authority for the federal military base realignment purposes and has been authorized to incur debt including revenue bonds from revenue sources for its enumerated purposes.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable and a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as *general revenues*. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting, and financial statement presentation

The governmental-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. 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 government generally considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Grants and entitlements and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District currently only uses governmental funds.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental funds reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District reports the following major governmental funds:

General Fund – The General Fund is used to account for all financial resources of the District except those required to be accounted for in another fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to legislation and city ordinances and agreements governing the District.

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Non-exchange transactions, in which the District receives value without directly giving value in return, include grants and donations. On an accrual basis, revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in

which the resources are provided to the District on the reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must be available before it can be recognized.

Expenses/Expenditures

On an accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable.

D. Cash and Cash Equivalents

For presentation in the financial statements, investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an original maturity of more than three months are reported as investments.

E. Restricted Assets

Restricted assets are cash and cash equivalents whose use is limited by legal requirements. The District has no restricted assets as of December 31, 2005.

F. Interfund Transactions

During the course of normal operations, the governmental entity may have numerous transactions between funds. Interfund transactions are generally classified as follows:

Transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Transfers In" by the recipient fund, and "Transfers Out" by the disbursing fund.

On the governmental funds balance sheet, receivables and payables resulting from short-term interfund loans are classified as "interfund loan receivable/payables." These amounts are eliminated on the statement of net assets. Since the District had only one fund for 2005, there are no interfund transactions for the District.

G. Capital Assets

General capital assets generally result from expenditures in the governmental funds. These assets are reported on the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The District had no capital assets as of December 31, 2005.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as contributions awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available.

I. Reservations of Fund Balance

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore, are not available for appropriations or expenditures in the governmental fund balance sheet. Unreserved fund balance indicated that portion of fund equity, which is available for appropriations, in future periods. If restricted and unrestricted assets are available for the same purpose, the restricted assets will be used before unrestricted assets.

J. Net Assets

Net assets present the difference between assets and liabilities in the statement of net assets. Net assets invested in capital assets are reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by creditors, grantors, laws or regulation of other governments.

K. Estimates

The preparation of 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

L. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes reconciliation between *total governmental fund balances* and *net assets of governmental activities* as reported in the government-wide statement of net assets.

NOTE 2 – CASH

At December 31, 2005, the carrying amount of the District's deposits was \$247,768 and the bank balance was \$247,768. The amount of the District's deposits in excess of Federal Deposit Insurance Corporation ("FDIC") coverage limits was \$147,768. This uncollateralized balance subjects the District to a concentration of credit risk exposure in excess of the FDIC limit. Under GASB these deposits are classified as follows: Class 1 insured: \$100,000 and Class 3 uncollateralized: \$147,768.

NOTE 3 – INVESTMENTS

At December 31, 2005, the District holds investments totaling \$1,286,085 as follows:

	<u>Carrying Amount</u>	<u>Market Value</u>
Certificate of Deposit with First Bank & Trust	\$500,000	\$500,000
Louisiana Asset Management Pool (LAMP)	\$786,085	\$786,085

Under state law, the Certificate of Deposit must be insured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. The District's deposit is secured by an FHLB Letter of Credit. In accordance with GASB Codification Section 150.125, the deposit is therefore classified as Category 2 with the amount being collateralized with securities held by the pledging financial institution's trust department or agent in the District's name.

In accordance with GASB Codification Section 150.126, the investment in LAMP at December 31, 2005, is not categorized in three risk categories provided by GASB Codification Section 150.125 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., a non-profit corporation organized under the laws of the State of Louisiana. Only local governments having contracted to participate in LAMP may have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest in accordance with LSA – R.S. 33:2955. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities.

Effective August 1, 2001, LAMP's Investment Guidelines were amended to permit the investment in government-only money market funds. In its 2001 Regular Session, the Louisiana Legislature (Senate Bill No. 512, Act 701) enacted LSA-R.S. 33:2955(A)(1)(h) which allows

municipalities, parishes, school boards, and any other political subdivisions of the State to invest in "Investment grade (A-1/P-1) commercial paper of domestic United States corporations." Effective October 1, 2001, LAMP's Investment Guidelines were amended to allow the limited investment in A-1 or A-1+ commercial paper.

The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. The investments in LAMP are stated at fair value based on quoted market rates. The fair value is determined on a weekly basis by LAMP and the value of the position in the external investment pool is the same as the value of the pool shares.

LAMP, Inc. is subject to the regulatory oversight of the State Treasurer and the Board of Directors. LAMP is not registered with the SEC as an investment company.

NOTE 4 – COOPERATIVE ENDEAVOR AGREEMENTS

The District receives funds from a Cooperative Endeavor Agreement entered into with the City of New Orleans and the Algiers Economic Development District No. 1 created by the New Orleans City Council authorized by to L.A.R.S. 33:9038.1, et seq. receiving incremental state and city sales taxes from the Tax Increment Financing District ("TIF") created pursuant to City of New Orleans Ordinance No. 21,283 M.C.S. Pursuant to the terms of the Cooperative Endeavor Agreement, on an accrual basis, the District shall receive the lesser of the incremental funds from the TIF or \$1,000,000. The receipt of these funds are conditioned on the District receiving matching funds from the State of Louisiana pursuant to an Agreement between the Algiers Economic Development No. 1 and the State of Louisiana. The TIF consists of sales tax generated from the Wal-Mart store and out parcel businesses located on Behrman Highway in Algiers and 1¼ cents of each of the city and state sales tax revenue is received by the District from the Cooperative Endeavor Agreement and the state match. During 2005, the District received \$453,027 from the City of New Orleans and \$461,781 from the State of Louisiana. The third calendar quarter sales tax revenue for the period ending September 30, 2005 will not be paid by the City of New Orleans per agreement with the city due to the affects of hurricane Katrina. At December 31, 2005 the City of New Orleans owed the District \$307,038 from 2005 sales tax revenue and the State of Louisiana owed the District \$156,513 from 2005 sales tax revenue.

NOTE 5 – NET ASSET RESTRICTIONS AND COMMITMENTS

The Net Asset balance at December 31, 2003 consisted of the balance of funds originally received pursuant to an economic development grant from the State of Louisiana in 1997 and 1998 for an economic development program for Algiers and was restricted for that purpose. The Net Asset balance at December 31, 2004 is restricted for its economic development obligations and projects pursuant to its Cooperative Endeavor Agreement with the City of New Orleans which includes feasibility studies for the Federal City Project and an economic development

strategic plan for Algiers. The District has also entered into an agreement with the City of New Orleans to provide a portion of the funding necessary for the repair and widening of Kabel Drive between McArthur and General DeGaulle. The District's portion of this project will be in excess of \$700,000. In addition, the District has agreements with the Regional Planning Commission to provide matching funds for the repair and repavement of Woodland Highway between DeGaulle and Tullis as well as the installation of lights on the intercoastal waterway bridge. The District's match for these projects will run approximately \$450,000. Remaining funds shall be expended as required pursuant to long-range economic development plans approved by council ordinance.

NOTE 6 – ECONOMIC DEPENDENCY

The District receives the majority of its revenue from funds provided through the TIF district pursuant to its Cooperative Endeavor Agreement with the City of New Orleans. The term of this agreement expires with the expiration of the dedicated sales tax revenues to the TIF. The expiration of the TIF shall cause a significant reduction of revenue to the District with resultant adverse impact on its operations.

NOTE 7 – BUDGET

The District failed to adopt a budget for 2005 as required by state law, therefore budgeting comparison schedules are omitted from the required supplementary information.

CPA

Certified Public Accountant, A.P.C.

BRIAN E. ADORNO

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

Business



Taxes



Finance



Estates

Board of Commissions
Algiers Development District of the City of New Orleans
New Orleans, Louisiana

I have audited the basic financial statements of Algiers Development District of the City of New Orleans, a component unit of the City of New Orleans, as of and for the year ended December 31, 2005, and have issued my report thereon dated August 18, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Algiers Development District of the City of New Orleans' financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material affect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Algiers Development District of the City of New Orleans' internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that material misstatements in amounts

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that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by an employee in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operations that I consider to be material weaknesses. However, I noted other matters involving the internal control over financial reporting that I have reported to the Board of Commissions in a separate letter dated August 18, 2006.

This report is intended for the information of the Board of Commissions, management, and the Legislative Auditor and is not intended to be, and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Brian E. Adorno, CPA
A Professional Corporation

New Orleans, Louisiana
August 18, 2006

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
SUMMARY OF PRIOR YEAR FINDINGS
For the Year Ended December 31, 2005

Section I - Internal Control and Compliance Material to the Financial Statements

No findings had been reported.

Section II - Schedule of Findings and Questioned Costs

No findings had been reported.

Section III - Management Letter

2004-1 Cash Management

Condition: The District's bank balance exceeded federal deposit insurance limits at the end of 2004 and the excess account balances were not secured by additional pledged collateral by the financial institution.

Recommendation: The District's board should make substantial efforts to either maintain bank balances below federal deposit insurance limits thereby eliminating the need to pledge securities, or make arrangements with financial institutions to secure bank balances in excess of federal insurance with pledged securities.

Current Status: Unresolved. The cash balance remains unsecured and in excess of the federal deposit insurance limits.

2004-2 Accounting System

Condition: The District had not begun using any type of double entry manual or automated accounting system due to the small number of transactions incurred during the year.

Recommendation: Management should commence use of an accounting system in order to accurately record, classify and provide financial reporting on a systematic basis to the Board of Commissions and all users of financial information required or desired of the District.

Current Status: Unresolved. An accounting system has yet to be implemented. The major reason for this, however, has been the disruption of staffing and oversight caused by Hurricane Katrina.

2004-3 Organizational Structure

Condition: The lack of compensated administrative staff precludes certain internal controls that would be preferred to provide some segregation of duties and regular administrative oversight.

Recommendation: The Board of Commissions must remain closely involved in the financial affairs of the District in order to provide oversight and independent review functions.

Current Status: Unresolved. The Board of Commissions failed to meet on a regular basis in the second half of 2005, largely due to the scattering of board members caused by Hurricane Katrina.

2004-4 Bylaws

Condition: The Bylaws on file were enacted in 1996 prior to legislative changes made in 2003 which affected the composition of the Board of Commissions.

Recommendation: The Bylaws should be revised by the Board of Commissions to reflect the effects of recent legislation as well as changes in the focus of the District's agenda.

Current Status: Unresolved. The Board of commissions has yet to update the Bylaws. Again, however, this is due in large part to the disruption caused by Hurricane Katrina.

2004-5 Budget

Condition: The District failed to develop an annual budget for 2004 as required by state law as well as the Cooperative Endeavor Agreement with the City of New Orleans and Algiers Development District No. 1.

Recommendation: Management should develop an annual budget for the planned receipts and disbursements of the District for each year, and the budget should be revised as finances warrant in compliance with state law and contractual obligations.

Current Status: Unresolved. Management failed to prepare a budget for 2005, and has yet to prepare any type of budget to date.

August 18, 2006

Board of Commissions
Algiers Development District of the City of New Orleans
New Orleans, Louisiana

Business

◆
Taxes

◆
Finance

◆
Estates

I have audited the basic financial statements of Algiers Development District of the City of New Orleans as of and for the year ended December 31, 2005, and have issued my report thereon dated August 18, 2006. I conducted the 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.

As a part of my examination, I have issued my report on the financial statements, dated August 18, 2006, and my report on internal control and compliance with laws, regulations, and contracts, dated August 18, 2006.

During the course of my examination, I became aware of the following matters which represent immaterial deviations of compliance or suggestions for improved internal controls.

Member:

Louisiana Bar Association

American Institute of
Certified Public
Accountants

Louisiana Society of
Certified Public
Accountants

2005-1 Cash Management

It was noted that during the fiscal year, the District's bank balance exceeded federal deposit insurance limits at year-end and the excess account balances were not secured by additional pledged collateral by the financial institution.

Management should make substantial efforts to either maintain bank balances below federal deposit insurance limits thereby eliminating the need to pledge securities, or make arrangements with financial institutions to secure bank balances in excess of federal insurance with pledged securities.

2005-2 Accounting System

It was noted during the fiscal year that the District had not yet commenced use of any double entry manual or automated accounting system due to a small number of transactions experienced during the year.

Management should commence use of an accounting system in order to accurately record, classify and provide financial reporting on a systematic basis to the Board of



Commissions and all users of financial information required or desired of the District.

2005-3 Organizational Structure

The lack of compensated administrative staff precludes certain internal controls that would be preferred to provide some segregation of duties and regular administrative oversight. This situation dictates that the Board of Commissions remains closely involved in the financial affairs of the District to provide oversight and independent review functions.

2005-4 Bylaws

The Bylaws on file were enacted in 1996 prior to legislative changes made in 2003 which affected the composition of the Board of Commissions. The Bylaws should be revised by the Board of Commissions to reflect the effects of recent legislation as well as changes in the focus of the District's agenda.

2005-5 Budget

The District did not develop an annual budget for 2005 as required by state law. A budget must be employed for the spending of city and state tax funds, and is also a requirement of the Cooperative Endeavor Agreement with the City of New Orleans and Algiers Development District No. 1. A budget is also a necessity for the various economic development planning proposals required for submission to the City of New Orleans agencies pursuant to state law and parish ordinances.

Management must develop an annual budget for the planned receipts and disbursements of the District for each year, and the budget should be revised as finances warrant in compliance with state law and contractual obligations.

I wish to thank State Representative Jim Tucker and Vicki Lore for their assistance during the audit.

Brian E. Adorno, CPA

A Professional Corporation

*Algiers Development District of the City of New Orleans
732 Behrman Highway, Suite C-2
Gretna, LA 70056*

**MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2005**

2005-1 Cash Management

Finding: The District's bank balance exceeded federal deposit insurance limits at year-end and the excess account balances were not secured by additional pledged collateral by the financial institution.

Recommendation: Management should make substantial efforts to either maintain bank balances below federal deposit insurance limits thereby eliminating the need to pledge securities, or make arrangements with financial institutions to secure bank balances in excess of federal insurance with pledged securities.

Action Taken: The Board will address the issue of securing their operating account balance with Capital One Bank.

2005-2 Accounting System

Finding: The District has yet to commence with the use of any type of double entry manual or automated accounting system.

Recommendation: Management should commence use of an accounting system in order to accurately record, classify and provide financial reporting on a systematic basis to the Board of Commissions and all users of financial information required or desired of the District.

Action Taken: The Board intended to introduce a double entry accounting system in 2005 but due to Hurricane Katrina, this never materialized. The Board plans on implementing the accounting system in 2006.

2005-3 Organizational Structure

Finding: The lack of a compensated administrative staff precludes certain internal controls and dictates that the Board of Commissions remains closely involved in the financial affairs of the District in order to provide oversight and independent review functions.

Recommendation: The Board should consider hiring an individual to perform certain administrative functions in order to provide some segregation of duties.

Action Taken: The Board has contracted with an individual who currently performs administrative functions for another non-profit entity in the area.

2005-4 Bylaws

Finding: The District's current bylaws were enacted prior to the legislative changes made in 2003 which affected the composition of the Board of Commissions.

Recommendation: The bylaws should be revised by the Board of Commissions to reflect the effects of recent legislation as well as changes in the focus of the District's agenda.

Action Taken: The Board planned on introducing revised bylaws before the end of 2005. However, due to Hurricane Katrina this proved impossible. The Board will plan revising the bylaws by the end of 2006.


2005-5 Budget

Finding: The District did not develop an annual budget for 2005 as required by state law.

Recommendation: The District must employ the use of a budget for the spending of city and state tax funds, as well as for the various economic development planning proposals required for submission to the City of New Orleans agencies pursuant to state law and parish ordinances.

Action Taken: The Board had every intention of developing a budget for 2005, but given the disruption caused by Hurricane Katrina, this proved to be impossible. The hurricane not only disrupted the District's operations, but it severely impacted the timing of the TIF funding. Some sort of budget will be adopted for 2006, however a full budget is difficult to prepare given the restrictive nature of the funding. The District expends the funds as projects come about that fit within the parameters of the funding requirements.

Submitted by:


James W. Tucker
Chairman

Date:

8/18/06

August 18, 2006