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

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

Year Ended December 31, 2004

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 8/3/05

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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, 2004, 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 generally accepted 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 basic 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, 2004, and the respective changes in financial position for the year then ended in conformity with generally accepted accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 and 4 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 management regarding

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Independent Auditor's Report
June 30, 2005

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 June 30, 2005 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
June 30, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

The Algiers Development District
Board of Commissioner's Discussion and Analysis
For the Year Ended December 31, 2004

Financial Highlights

Prior Year Activity

The Algiers Development District ("The ADD") began the year with a \$70,788 fund balance. This amount was the remaining balance from grants received in prior years and carried over to January 1, 2004. The activities of ADD in 2003 were comprised of economic development promotions totaling about \$7,500.

Summary of 2004 Revenues

Beginning January 1, 2004 the ADD began to receive income from the Algiers Economic Development District Number 1, a tax increment-financing (TIF) district located in Algiers. The Economic Development District collect a portion of sales taxes, both city and state, within the district's boundaries. Additionally, the District received a one-time grant from the GNO Foundation totaling \$12,000. For the year, the ADD collected \$1,254,166 in taxes and grant while spending \$171,737 in satisfaction of its program requirements and administrative fees. Starting with the beginning balance mentioned above, a fund balance of \$1,153,217 was available at the end of the fiscal year which included sales tax receivable still due from the city and state of \$474,928 at year end. The amount of deposits on hand at year-end was \$744,889.

Summary of 2004 Program Expenditures

ADD's primary objective for 2004 was preparation for the Base Realignment and Closure proceedings instituted by the United State Department of Defense. To prepare for this event, the ADD entered into contract with Economic Research Associates ("ERA") and the Spectrum Group during 2004 for services involving the Districts initiative regarding the U.S. Government's military base consolidation efforts. These services included economic analysis, cost/benefit analysis of alternative actions, savings opportunities, redevelopment and action planning and monitoring. Expenses incurred with ERA pursuant to its contract for 2004 totaling \$86,600 and expenses incurred with the Spectrum Group for 2004 was \$85,075. 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, our focus for 2004 was clearly on saving our military installation. The Board continues to work hard in developing strategies to save the Naval Support Activity from closure and has been an active participant in all discussions regarding the state, city and local strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

Future Activity

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 since this has been the first year of funding from the TIF. Future budgeting of expenditures will be dictated by U.S. Department of Defense decisions as it affects the Algiers military installations.

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004

ASSETS

CURRENT ASSETS	
CASH	744,889
SALES TAX REVENUE RECEIVABLE	<u>474,928</u>
TOTAL ASSETS	<u>\$ 1,219,817</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
ACCOUNTS PAYABLE	66,600
NET ASSETS RESTRICTED FOR ECONOMIC DEVELOPMENT	<u>1,153,217</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,219,817</u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004

PROGRAM REVENUE	
SALES TAX FOR ECONOMIC DEVELOPMENT	1,242,166
GRANT REVENUE	<u>12,000</u>
TOTAL REVENUE	1,254,166
EXPENSES	
ECONOMIC DEVELOPMENT	<u>171,737</u>
NET REVENUE AND CHANGE IN NET ASSETS	1,082,429
NET ASSETS, BEGINNING	<u>70,788</u>
NET ASSETS, ENDING	<u><u>\$ 1,153,217</u></u>

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENT

ALGIERS DEVELOPMENT DISTRICT OF THE CITY OF NEW ORLEANS
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2004

	<u>GENERAL FUND</u>
ASSETS:	
CASH & CASH EQUITIES	744,889
RECEIVABLES: SALES TAX	<u>474,928</u>
TOTAL ASSETS	<u>\$ 1,219,817</u>
LIABILITIES AND FUND BALANCES:	
LIABILITIES:	
PAYABLES: ACCOUNT	<u>66,600</u>
TOTAL LIABILITIES	<u>66,600</u>
FUND BALANCES	
RESERVED FOR: ECONOMIC DEVELOPMENT	<u>1,153,217</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,219,817</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, 2004

	<u>GENERAL FUND</u>
REVENUE:	
SALES TAX	1,242,166
GRANT	12,000
TOTAL REVENUE	1,254,166
EXPENDITURES:	
PROGRAM ECONOMIC DEVELOPMENT	171,737
TOTAL EXPENDITURES	171,737
EXCESS OF REVENUE OVER EXPENDITURES	1,082,429
NET CHANGE OF FUND BALANCE	1,082,429
FUND BALANCE, RESERVED BEGINNING	70,788
FUND BALANCE, RESERVED ENDING	\$ 1,153,217

SEE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENT

**ALGIERS DEVELOPMENT DISTRICT FOR THE CITY OF NEW ORLEANS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Algiers Development District for 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 are 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, includes 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, 2004.

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 2004, 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, 2004.

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 that 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 – DEPOSITS AND CONCENTRATION OF CREDIT RISK

At year-end, the carrying amount of the District's deposits was \$744,889 and the bank balance was \$744,889. The amount of the District's deposits in excess of Federal Deposit Insurance Corporation ("FDIC") coverage limits was \$644,889. 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: \$644,889.

NOTE 3 – 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 2004, the District received \$318,124 from the City of New Orleans and \$449,114 from the State of Louisiana. At December 31, 2004 the City of New Orleans owed the District \$306,080 from 2004 sales tax revenue and the State of Louisiana owed the District \$168,848 from 2004 sales tax revenue.

NOTE 4 – GRANTS

During 2004, the District received a one-time grant of \$12,000 from the GNO Foundation for one month economic development services performed by The Spectrum Group pursuant to its contract with the District for consulting services related to the federal military base relocation planning process.

NOTE 5 – ECONOMIC DEVELOPMENT CONTRACTS

The District entered into contracts with Economic Research Associates ("ERA") and The Spectrum Group during 2004 for services involving the Districts initiative regarding the U.S. Government's military base consolidation efforts. Said services included economic analysis, cost/benefit analysis of alternative actions, savings opportunities, redevelopment and action planning and monitoring. Expenses incurred with ERA pursuant to its contract for 2004 totaled \$86,600 and expenses incurred with The Spectrum Group for 2004 was \$85,075.

NOTE 6 – 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 totaling \$225,000. Remaining funds shall be expended as required pursuant to long-range economic development plans approved by council ordinance.

NOTE 7 – 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 8 – BUDGET

The District failed to adopt a budget for 2004 as required by state law, therefore budgeting comparison schedules are omitted from the required supplementary information.



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 for the City of New Orleans
New Orleans, Louisiana

I have audited the basic financial statements of Algiers Development District for the City of New Orleans, a component unit of the City of New Orleans, as of and for the year ended December 31, 2004, and have issued my report thereon dated June 30, 2005. 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 for 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 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 for 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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Report on Compliance and on Internal Control
June 30, 2005

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 June 30, 2005.

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
June 30, 2005

MANAGEMENT'S CORRECTIVE ACTION PLAN
To Management Letter (2004 Audit) on Internal Controls/Operating efficiency
FOR THE YEAR ENDED DECEMBER 31, 2004

2004-1 Cash Management

Suggestion: 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/Response: The Board addressed this issue in early 2005 by requiring our local banking institution to secure our excess account balance with pledged collateral.

2004-2 Accounting System

Suggestion: 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/Response: The Board will introduce a double entry accounting system in 2005.

2004-3 Organizational Structure

Suggestion: 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.

Action/Response: To best utilize the taxpayers money, the board does not feel the need to hire professional staff at this time. With limited financial activity, at this time it is unnecessary to engage in staff person. However, as you are aware, the bookkeeping responsibilities currently reside in the office of the State Representative for District 86, with two signatures and board authorization required before and expenditure can occur. We feel at this time that these are adequate protections regarding the oversight and review functions of the Board.

2004-4 Bylaws

Suggestion: 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.

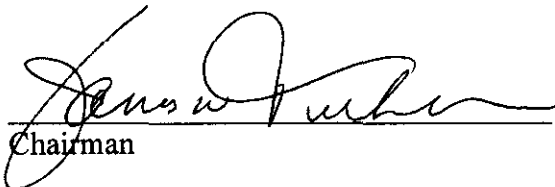
Action/Response: The Board will introduce revised Bylaws before year-end 2005.

MANAGEMENT'S CORRECTIVE ACTION PLAN
To Management Letter (2004 Audit) on Internal Controls/Operating efficiency
FOR THE YEAR ENDED DECEMBER 31, 2004

2004-5 Budget

Suggestion: 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.

Action/Response: Introduction of a budget for 2004 was a technical oversight given it was our understanding at the beginning of the year that our small fund balance did not require a budget be adopted. Additionally, it was the Board's feeling that a budget for 2004 would have been a "best guess," given the District began receiving tax revenues from the Tax Increment Financing on January 1, 2004. The Board receives these tax receipts quarterly, and the Board had no idea that first year how much we were going to receive. We will adopt a budget in each and every subsequent fiscal year.


Chairman

June 30, 2005



BRIAN E. ADORNO

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MANAGEMENT LETTER

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

Business



Taxes



Finance



Estates

I have audited the basic financial statements of Algiers Development District for the City of New Orleans as of and for the year ended December 31, 2004, and have issued my report thereon dated June 30, 2005. 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 June 30, 2005, and my report on internal control and compliance with laws, regulations, and contracts, dated June 30, 2005.

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.

2004-1 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.

2004-2 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

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

2004-3 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.

2004-4 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.

2004-5 Budget

It was noted that the District had an annual budget in prior years, but did not development an annual budget for 2004 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

New Orleans, Louisiana
June 30, 2005