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SCHAFER GROUP, LTD.

NOLA ECONOMIC DEVELOPMENT CORPORATION

(AUDIT REPORT)

DECEMBER 31, 2003

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

Release Date 7-28-04

CERTIFIED PUBLIC ACCOUNTANTS
A LIMITED LIABILITY COMPANY

NOLA ECONOMIC DEVELOPMENT CORPORATION
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DECEMBER 31, 2003

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Independent Auditor's Report

To Ms. Sherry Landry, Liquidator
NOLA Economic Development Corporation

We were engaged to audit the statement of net assets in liquidation of NOLA Economic Development Corporation (a Louisiana non profit organization) as of December 31, 2003, and the related statement of changes in net assets in liquidation for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on out audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe out audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the New Orleans Economic Development Corporation as of December 31, 2003 and the respective change in net assets for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2004 on our consideration of NOLA Economic Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 1 to the financial statements, the Board of Directors approved a plan of liquidation effective August 20, 2002 and ceased operations on that date. As a result, the organization has changed its basis of accounting for periods subsequent to August 20, 2002 from the going-concern basis to a liquidation basis.

Sincerely,
Schafer Group, LTD., LLC

Kernion T. Schafer, CPA
Managing Member

June 30, 2004

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS IN LIQUIDATION
DECEMBER 31, 2003

ASSETS	
Cash	$ 22,798
Total Assets	$ 22,798
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts Payable	$ 7,700
Net Assets	
Unrestricted	15,098
Total Liabilities and Net Assets	$ 22,798

The accompanying notes are an integral part of these statements.

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CHANGES IN NET ASSETS IN LIQUIDATION
YEAR ENDED DECEMBER 31, 2003

	Unrestricted	Permanently Restricted	Total
REVENUES	-	-	$ -
EXPENSES			
Accounting Fees	9,251	-	9,251
Bank Charges	40	-	40
Grants	30,000	-	30,000
Insurance	1,150	-	1,150
Decrease in Net Assets	(40,441)	-	(40,441)
Net Assets at Beginning of Year	$ 55,539	$ -	$ 55,539
Net Assets at End of Year	$ 15,098	$ -	$ 15,098

The accompanying notes are an integral part of these statements.

NOLA ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDING DECEMBER 31, 2003

	Unrestricted	Permanently Restricted	Total
CASH FLOWS USED BY OPERATING ACTIVITIES			
Decrease in Net Assets	$(40,441)	$ -	$(40,441
Adjustments to reconcile Decrease in net assets To cash used for Operating Activities			
(Decrease) in Accounts Receivable	4,767	-	-
(Decrease) in Prepaid Insurance	1,150	-	1,150
Increase (Decrease) in Liabilities Accounts Payable	5,586	-	5,586
Net Cash Used by Operating Activities	(28,938)	-	(28,938)
Net Decrease in Cash	(28,938)	-	(28,938)
Cash, Beginning of Year	51,736	-	51,736
Cash, End of Year	$ 22,798	$ -	$ 22,798

The accompanying notes are an integral part of these statements.

NOLA ECONOMIC DEVELOPMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2003

1. Organization and Significant Accounting Policies

A. Organization

NOLA Economic Development Corporation (NOLA) is a nonprofit corporation domiciled in New Orleans, Louisiana. The organization was incorporated in July of 1998 for the purpose of alleviating conditions of unemployment, underemployment and other forms of economic distress affecting the Economic Development Area (designated as the "City of New Orleans). NOLA was developed to participate in the development of the Jazzland Theme Park project and to actively promote the Economic Development Area as an area for the establishment of new businesses or the relocation of existing businesses.

B. Jazzland Agreement

On July 10, 1998 NOLA entered into an agreement with Jazzland, Inc. Under the agreement, Jazzland donated two parcels of land comprising the site of the future Jazzland Theme Park in exchange for the execution of a Lease agreement for the same property and the execution of a Cooperative Endeavor Agreement wherein NOLA agreed to provide Jazzland, Inc. with the proceeds of a $10 million State Grant, made to the City of New Orleans, to be used for the construction and development of the Jazzland Theme Park.

The agreement provided that the transfer would be automatically rescinded and the property would revert to Jazzland, Inc., without any consideration to NOLA, upon the termination of the Lease Agreement or the occurrence any of several other conditions.

On February 26, 2002, the owners of Jazzland, Inc. filed a petition for bankruptcy in federal court. The final order issued by the Bankruptcy Court terminated the lease between NOLA and Jazzland, Inc. and ordered the return of the Park Property by NOLA. The theme park was transferred to a subsidiary of Six Flags, Inc. and no amounts were paid or payable to NOLA.

C. Liquidation

Following the termination of the lease with Jazzland, Inc., the Board of Directors approved a plan of liquidation effective August 20, 2002 and NOLA ceased operations on that date.

D. Basis of Accounting

The organization changed its basis of accounting for periods subsequent to August 20, 2002 from the going-concern basis to the liquidation basis. Under the liquidation method, assets and liabilities are adjusted to their net realizable value.

E. Equipment

For periods prior to August 21, 2002, equipment was recorded at cost. Depreciation was calculated using the straight-line method to relate the cost of depreciable assets to operations over their estimated useful lives of six years. As of December 31, 2003, NOLA had liquidated all of its fixed assets. Depreciation Expense for the year ended December 31, 2003 is $-0-.

F. Allowance for Doubtful Accounts

NOLA utilizes the allowance method for bad debts. All amounts due from Jazzland were written off against the allowance account. All other accounts and claims receivable were collected subsequent to December 31, 2002. There were no accounts receivable and no charges to provision for bad debts for the year ending December 31,2003. As such, the Allowance for Doubtful Accounts for the year ended December 31, 2003 is $-0-.

G. Cash and Cash Equivalents

NOLA considers all short-term debt securities purchased with maturity of three months or less to be cash equivalents.

H. Estimates

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

I. Income Taxes

NOLA is exempt from federal income taxes under Section 501 (a) of the Internal Revenue Code.

2. Retirement Plan

NOLA established a Simplified Employee Pension IRA (SEP-IRA) covering all of its employees. All employees were terminated effective August 20,2002 and this plan was also terminated. There were no expenses associated with this plan for the year ended December 31, 2003.

SUPPLEMENTARY INFORMATION

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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 GOVERNMENT AUDITING STANDARDS

To Ms. Sherry Landry, Liquidator
NOLA Economic Development Corporation

We have audited the basic financial statements of NOLA Economic Development Corporation as of December 31, 2003 and have issued our report thereon dated June 30, 2004, which contained an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether NOLA Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that would be required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NOLA Economic Development Corporation's internal control over financial reporting in order to determine our 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness

This report is intended solely for the information and use of Ms. Sherry Landry, Liquidator, the City of New Orleans and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specific parties. Under Louisiana Revised Statue 24:513, this report is distributed by the Legislative Auditor as a public document.

Sincerely,

Schafer Group, LTD., LLC

Kernion T. Schafer, CPA
Managing Member

June 30, 2004

NOLA ECONOMIC DEVELOPMENT CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
DECEMBER 31, 2003

None.

SCHAFER GROUP, LTD.

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VIII.

To Ms. Sherry Landry, Liquidator
NOLA Economic Development Corporation

MANAGEMENT LETTER

We have audited the financial statements of NOLA Economic Development Corporation as of December 31, 2003, and for the year then ended, and have issued our report thereon dated June 30, 2004, which contained an unqualified opinion. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States

As a part of our examination, we have issued our report on the financial statements, dated June 30, 2004, which contained an unqualified opinion, and our report on internal control and compliance with laws, regulations, and contracts, dated June 30, 2004.

During the course of our examination, we became aware of no matters, which would represent immaterial deviations of compliance or suggestions for improved internal controls.

Sincerely,

Schafer Group, LTD., LLC

Kernion T. Schafer, CPA
Managing Member

June 30, 2004

NOLA ECONOMIC DEVELOPMENT CORPORATION
CORRECTIVE ACTION PLAN
DECEMBER 31, 2003

MANAGEMENT'S RESPONSE

None Required

NOLA ECONOMIC DEVELOPMENT CORPORATION
SUMMARY OF PRIOR YEAR FINDINGS
DECEMBER 31, 2002

Findings and Questioned Costs
02-1: Lost Equipment

When NOLA ceased operations and terminated its employees, City personnel responsible for the liquidation were not involved in moving the various files and documents to storage and were not aware of the existence of any equipment requiring safeguarding.

There is no other equipment owned by NOLA and none will be purchased. The missing computer was located by personnel involved in the liquidation of NOLA in another section of the Economic Development Office of the City of New Orleans and has subsequently been transferred to this section.

02-2: Documentation Not on File

Although no documents were on file relative to this grant, it was our understanding that the expenditure was properly authorized by its inclusion in the final dissolution budget of NOLA as "Other Operating Expenses". Since NOLA is currently in liquidation and no other expenditures of this type are anticipated, no further action can or will be taken on this matter.

Management Letter Suggestion
2002-1: Cash management

The liquidation of NOLA is expected to be completed in a short period of time and the amount of potential interest earnings was not considered significant. The amount of cash on deposit at this time is not substantial enough to warrant the establishment of any type of investment account and the establishment of and transfer of remaining cash to an interest bearing checking account would not be cost effective because the costs would be in excess of the interest earned.