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NEW ORLEANS REDEVELOPMENT AUTHORITY
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED 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 8/18/04

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2003, which collectively comprise **NORA's** basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of **NORA's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 that our 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 governmental activities and business-type activities, each major fund, and the aggregate remaining fund information of **NORA** as of December 31, 2003, and respective changes in financial positions and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2004, on our consideration of NORA's internal control over financial reporting and on our 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 our audit. Also, this report contained instances of noncompliance.

The management's discussion and analysis on pages 3 through 9 and budgetary comparison information (Exhibits C and D) are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 18, 2004

NEW ORLEANS REDEVELOPMENT AUTHORITY
of the CITY OF NEW ORLEANS
Management's Discussion and Analysis

This report offers readers of these financial statements an overview and analysis of the financial activities of the **New Orleans Redevelopment Authority (NORA)** for the fiscal year ended December 31, 2003. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in **NORA's** financial position, identify any material deviations from the approved budget documents, and identify individual fund issues or concerns.

The Management's Discussion and Analysis is designed to focus on **NORA's** current year activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

NORA's assets exceeded its liabilities by \$1,282,099 (net assets) for the fiscal year reported. This compares to the previous year when assets exceed liabilities by \$790,858.

NORA's total net assets increased by \$491,241 during 2003, primarily as a result of the gain on disposition of inventory and the recognition of revenue earned under the Real Estate Acquisition and Landbanking Mechanism (REALM) program used to purchase additional inventory.

As of the close of the current year, **NORA's** governmental funds reported combined ending fund balances of \$637,476, which reflects an increase of \$357,636 in comparison with the prior year. Of the total fund balances, \$205,365 is designated for current and future projects.

OVERVIEW OF THE FINANCIAL STATEMENTS

With the implementation of Governmental Accounting Standards Board Statement No. 34, **NORA's** presentation of financial statements has been greatly changed. This is the second year that **NORA** has presented the new format. These statements focuses on the government as a whole (government-wide) and the major individual funds. Both perspectives (government-wide and major fund) allow the reader to address relevant questions, broaden a basis for comparison (year to year or government to government) and should enhance **NORA's** accountability.

Management's Discussion and Analysis introduces **NORA's** basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund

NEW ORLEANS REDEVELOPMENT AUTHORITY
of the CITY OF NEW ORLEANS
Management's Discussion and Analysis, Continued

financial statements, and (3) notes to the financial statements. **NORA** also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements on pages 10 and 11 are designed to be similar to private-sector business. These statements, combine **NORA's** current financial resources with capital assets and long-term obligations.

The Statement of Net Assets on page 10 presents information on all of **NORA's** assets and liabilities, with the difference between the two reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of **NORA** is improving or deteriorating.

The Statement of Activities on page 11, presents information showing how **NORA's** assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e. earned but unused vacation leave result in cash flows for future periods). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by **NORA's** grant revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services.

The governmental activities reflect **NORA's** basic services including the rehabilitation and/or removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community. The business-type activities of **NORA** reflect the development of viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income .

These services are financed primarily with grants, proceeds from sales of inventory, and other charges.

NEW ORLEANS REDEVELOPMENT AUTHORITY
of the CITY OF NEW ORLEANS
Management's Discussion and Analysis, Continued

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. Within the basic financial statements, fund financial statements focus on **NORA's** most significant funds rather than **NORA** as a whole. Major funds are separately reported while others are combined into a single, aggregated presentation. Individual fund data for nonmajor funds is provided in the form of combining statements in a later section of this report.

NORA's funds can be divided into two categories: governmental funds and proprietary funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. **NORA's** governmental funds on pages 12, 13 and 15 are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and accounting principles generally accepted in the United States of America.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating **NORA's** current financing requirements.

A budgetary comparison statement is included in the basic financial statements for the major governmental funds.

Proprietary funds on pages 17 and 18 provide the same type of information as the government-wide financial statements, only in more detail for the major enterprise funds. Individual fund information for nonmajor enterprise funds is found in the combining statements in a later section of this report.

NEW ORLEANS REDEVELOPMENT AUTHORITY
of the CITY OF NEW ORLEANS
Management's Discussion and Analysis, Continued

The governmental major funds total column requires a reconciliation because of the different measurement focus which is reflected on the page following each statement (see page 14). The reconciliation incorporates long-term obligations and capital assets into the government-wide statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 20 through 38 of the accompanying audit report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which can be found on pages 40 through 46 of this report. The supplementary sections are included for additional information and analysis and do not constitute a part of the basic financial statements.

Financial Analysis of NORA as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of NORA as a whole.

STATEMENT OF NET ASSETS COMPARATIVE DATA

	<u>2003</u>	<u>2002</u>	<u>Amount Change</u>
Current and other assets	\$1,859,843	\$1,077,539	\$ 782,304
Capital assets	<u>1,519,059</u>	<u>1,336,470</u>	<u>182,589</u>
Total assets	<u>3,378,902</u>	<u>2,414,009</u>	<u>964,893</u>
Current liabilities	2,073,293	1,623,151	450,142
Noncurrent liabilities	<u>23,510</u>	<u>-0-</u>	<u>23,510</u>
Total current liabilities	<u>2,096,803</u>	<u>1,623,151</u>	<u>473,652</u>
Net Assets:			
Invested in capital assets	34,000	34,000	-0-
Unrestricted	<u>1,248,099</u>	<u>756,858</u>	<u>491,241</u>
	<u>\$1,282,099</u>	<u>\$ 790,858</u>	<u>\$ 491,241</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
of the CITY OF NEW ORLEANS
Management's Discussion and Analysis, Continued

NORA's net assets at year-end are \$1,282,099. Of this amount, \$34,000 represents the amount invested in capital assets with the remaining as unrestricted. This is a \$491,241 increase over last year's net assets of \$790,858. **NORA** reported a positive change of \$631,001 in net assets for its governmental activities and a negative change of \$139,760 in its business-type activities. As such, **NORA's** overall financial position improved during 2003.

NORA's major sources of program revenue totaled \$1,682,825, which represents grants and subsidies. Of this amount, \$1,494,114 is included in the governmental fund and \$188,711 in the proprietary fund. **NORA's** major source of general revenues came as a result of the gain on the disposition of inventory.

Program expenses totaled \$1,439,169 of which \$459,520 was spent on salaries and employee benefits, \$602,129 on contractual services, and \$188,711 on housing assistance payments. These three (3) areas represent 87% of total expenses.

STATEMENT OF ACTIVITIES COMPARATIVE DATA

	<u>TOTAL</u>		
	<u>2003</u>	<u>2002</u>	<u>Amount Change</u>
Revenues:			
Program revenues			
Charges for services	\$ 25,676	\$ 30,519	\$ (4,843)
Operating grants and contributions	1,715,575	1,675,414	40,161
Capital grants and contributions	<u>30,551</u>	<u>193,774</u>	<u>(163,223)</u>
	1,771,802	1,899,707	(127,905)
General Revenues:			
Gain on disposition of inventory	158,608	210,294	(51,686)
Expenses:			
General expenses	<u>1,439,169</u>	<u>1,717,787</u>	<u>(278,618)</u>
Change in net assets	<u>491,241</u>	<u>392,214</u>	<u>99,027</u>
Net assets, beginning of year	790,858	383,145	407,713
Adjustment to beginning net assets	<u>-0-</u>	<u>15,499</u>	<u>(15,499)</u>
Net assets, beginning of year as restated	<u>790,858</u>	<u>398,644</u>	<u>392,214</u>
Net assets, end of year	<u>\$1,282,099</u>	<u>\$ 790,858</u>	<u>\$ 491,241</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
of the CITY OF NEW ORLEANS
Management's Discussion and Analysis, Continued

Financial Analysis of NORA's Funds

Governmental Funds: As discussed, the focus of NORA's governmental funds are to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing NORA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of NORA's net resources available for spending at the end of the year.

As of the end of the current year, NORA's governmental funds reported combined ending fund balances of \$637,476, an increase of \$357,636 in comparison with the prior year. The fund balances are reserved to indicate that it is not available for new spending because it has already been committed to the liquidation of contracts and purchase orders.

Major Governmental Funds The general fund is the chief operating fund of NORA. At December 31, 2003, designated and undesignated fund balances of the general fund was \$299,158, while total fund balance was \$637,476. (See NOTE 7 of notes to the financial statements).

The Blighted Properties Administrative/NHIF fund receives funding under contract with the City of New Orleans to provide for rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans. The fund balance always reflects a zero balance as this fund operates on a cost-reimbursement basis.

Proprietary Funds: The focus of NORA's proprietary funds are to provide the same type of information found in the government-wide financial statements, but in more detail.

Major Proprietary Funds: Unrestricted net assets at the end of the year amounted to \$634,133, an increase of \$138,614 in comparison with the prior years.

Shelter Plus Care reflects no change in net assets in comparison with prior year.

The Real Estate Acquisition and Land Banking Mechanism reported an increase in net assets of \$157,932 reflecting its continued financial performance.

**NEW ORLEANS REDEVELOPMENT AUTHORITY
of the CITY OF NEW ORLEANS
Management's Discussion and Analysis, Continued**

General Fund Budgetary Highlights

The general fund budget for the fiscal year 2003, was \$1.5 million. This was an increase of \$227,570 over the previous year's final budget.

Capital Asset and Debt Administration

At December 31, 2003, **NORA** had \$34,000 invested in capital assets consisting principally of land. See page 31 for detail composition of capital assets.

Economic Factors and Next Year's Budget and Rates

NORA's 2004 budget has been submitted and is currently awaiting approval by the appropriate officials of the City of New Orleans.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS
DECEMBER 31, 2003

ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets:			
Cash (NOTES 2 and 4)	\$ 101,573	\$ 80,734	\$ 182,307
Amounts receivable, net	103,330	-0-	103,330
Grants receivable (NOTE 9)	1,494,114	16,850	1,510,964
Accrued interest receivable	-0-	14	14
Amounts receivable - City of New Orleans Advance	17,052	-0-	17,052
Prepaid and other assets	40,000	-0-	40,000
	<u>6,176</u>	<u>-0-</u>	<u>6,176</u>
Total current assets	<u>1,762,245</u>	<u>97,598</u>	<u>1,859,843</u>
Noncurrent assets:			
Land (NOTE 5)	34,000	-0-	34,000
Inventory (NOTE 6)	<u>-0-</u>	<u>1,485,059</u>	<u>1,485,059</u>
Total noncurrent assets	<u>34,000</u>	<u>1,485,059</u>	<u>1,519,059</u>
Total assets	<u>1,796,245</u>	<u>1,582,657</u>	<u>3,378,902</u>

LIABILITIES

Current liabilities:			
Amounts payable (NOTE 17)	658,032	755	658,787
Amounts payable - HUD	205,665	-0-	205,665
Line of credit (NOTE 15)	-0-	750,000	750,000
Deferred revenues (NOTE 18)	-0-	180,900	180,900
Advances - City of New Orleans	9,783	-0-	9,783
Due to City of New Orleans	<u>268,158</u>	<u>-0-</u>	<u>268,158</u>
Total current liabilities	<u>1,141,638</u>	<u>931,655</u>	<u>2,073,293</u>
Noncurrent liabilities:			
Compensated absences payable (NOTES 2 AND 16)	<u>23,510</u>	<u>-0-</u>	<u>23,510</u>
Total noncurrent liabilities	<u>23,510</u>	<u>-0-</u>	<u>23,510</u>
Total liabilities	<u>1,165,148</u>	<u>931,655</u>	<u>2,096,803</u>

NET ASSETS

Invested in capital assets	34,000	-0-	34,000
Unrestricted	<u>597,097</u>	<u>651,002</u>	<u>1,248,099</u>
Total net assets	<u>\$ 631,097</u>	<u>\$ 651,002</u>	<u>\$1,282,099</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

<u>Functions</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUES AND CHANGES NET ASSETS</u>		
<u>Expenses</u>	<u>Charges for Services</u>	<u>Grants and Subsidies</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Governmental Activities:						
Blighted Properties Removal Program	\$1,173,144	\$1,494,114	\$ -0-	\$345,880	\$ -0-	\$ 345,880
Neighborhood Housing Investment Fund	<u>43,888</u>	<u>-0-</u>	<u>30,551</u>	<u>(12,571)</u>	<u>-0-</u>	<u>(12,571)</u>
Total governmental activities	<u>1,217,032</u>	<u>1,494,114</u>	<u>30,551</u>	<u>333,309</u>	<u>-0-</u>	<u>333,309</u>
Business-type Activities:						
Shelter Plus Care Program	188,711	188,711	-0-	-0-	-0-	-0-
Real Estate Acquisition and Land Banking Mechanism	<u>33,426</u>	<u>32,750</u>	<u>-0-</u>	<u>-0-</u>	<u>(676)</u>	<u>(676)</u>
Total business-type activities	<u>\$ 222,137</u>	<u>\$ 221,461</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>(676)</u>	<u>(676)</u>
General Revenues:						
Gain on disposition of inventory				-0-	158,608	158,608
Transfers				<u>297,692</u>	<u>(297,692)</u>	<u>-0-</u>
Total general revenues and transfers				<u>297,692</u>	<u>(139,084)</u>	<u>158,608</u>
Change in net assets				631,001	(139,760)	491,241
Net assets, beginning of year				<u>96</u>	<u>790,762</u>	<u>790,858</u>
Net assets, end of year				<u>\$631,097</u>	<u>\$ 651,002</u>	<u>\$1,282,099</u>

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

FUND FINANCIAL STATEMENTS

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2003

ASSETS

	GOVERNMENTAL FUNDS			
	General Fund	Blighted Properties Administrative/ NHIF Fund	Other Governmental Funds	Total
Cash	\$ -0-	\$ 101,573	\$-0-	\$ 101,573
Amounts receivable, net	57,102	46,228	-0-	103,330
Advance	40,000	-0-	-0-	40,000
Prepaid and other assets	-0-	6,176	-0-	6,176
Amounts receivable - City of New Orleans	-0-	17,052	-0-	17,052
Grants receivable	-0-	1,494,114	-0-	1,494,114
Due from other funds	<u>2,468,388</u>	<u>2,589,155</u>	<u>-0-</u>	<u>5,057,543</u>
Total assets	<u>\$2,565,490</u>	<u>\$4,254,298</u>	<u>\$-0-</u>	<u>\$6,819,788</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS, CONTINUED
DECEMBER 31, 2003

LIABILITIES AND FUND BALANCES

	<u>GOVERNMENTAL FUNDS</u>			<u>Total</u>
	<u>General Fund</u>	<u>Blighted Properties Administrative/ NHIF Fund</u>	<u>Other Governmental Funds</u>	
Liabilities:				
Amounts payable	\$ 187,933	\$ 470,099	\$-0-	\$ 658,032
Advances--City of New Orleans	9,783	-0-	-0-	9,783
Due to other funds	1,684,397	3,356,277	-0-	5,040,674
Amounts payable--HUD	205,665	-0-	-0-	205,665
Due to City of New Orleans	<u>178,554</u>	<u>89,604</u>	<u>-0-</u>	<u>268,158</u>
Total liabilities	<u>2,266,332</u>	<u>3,915,980</u>	<u>-0-</u>	<u>6,182,312</u>
Fund balances:				
Unreserved	\$ 93,793	\$ 338,318	\$-0-	\$ 432,111
Reserved (NOTE 7)	<u>205,365</u>	<u>-0-</u>	<u>-0-</u>	<u>205,365</u>
Total fund balances	<u>299,158</u>	<u>338,318</u>	<u>-0-</u>	<u>637,476</u>
Total liabilities and fund balances	<u>\$2,565,490</u>	<u>\$4,254,298</u>	<u>\$-0-</u>	<u>\$6,819,788</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS OF THE
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2003

Amounts reported for governmental funds in
statement of net assets are different because:

Total fund balances--governmental funds	\$637,476
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	34,000
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(23,510)
Transfer between governmental and business-type activities	<u>(16,869)</u>
Net assets of governmental activities	<u>\$631,097</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	GOVERNMENTAL FUNDS			Total
	General Fund	Blighted Properties Administrative/ NHIF Fund	Other Governmental Funds	
Revenues:				
Grants and subsidies	\$ -0-	\$1,494,114	\$ -0-	\$1,494,114
Interest income	-0-	766	-0-	766
Other income	-0-	24,910	-0-	24,910
Total revenues	<u>-0-</u>	<u>1,519,790</u>	<u>-0-</u>	<u>1,519,790</u>
Expenditures:				
Salaries and employee benefits	-0-	459,520	-0-	459,520
Repairs and maintenance	-0-	4,775	-0-	4,775
Contractual services	-0-	602,129	-0-	602,129
Equipment and property	-0-	9,106	-0-	9,106
Supplies	-0-	7,489	-0-	7,489
Telephone	-0-	10,156	-0-	10,156
Automobile expenses	-0-	29,403	-0-	29,403
Postage and printing	-0-	1,220	-0-	1,220
Insurance	-0-	38,525	-0-	38,525
Interest expense	-0-	44,304	-0-	44,304
Other	-0-	5,396	-0-	5,396
Total expenditures	<u>-0-</u>	<u>1,212,023</u>	<u>-0-</u>	<u>1,212,023</u>
Excess of revenues over expenditures	<u>-0-</u>	<u>307,767</u>	<u>-0-</u>	<u>307,767</u>
Other Financing Sources (Uses):				
Transfers in	-0-	30,551	-0-	30,551
Total other financing sources	<u>-0-</u>	<u>30,551</u>	<u>-0-</u>	<u>30,551</u>
Net change in fund balances	<u>-0-</u>	<u>338,318</u>	<u>-0-</u>	<u>338,318</u>
Fund balances, beginning of year	87,185	-0-	192,655	279,840
Adjustment to beginning fund balances	<u>211,973</u>	<u>-0-</u>	<u>(192,655)</u>	<u>19,318</u>
Fund balances, beginning of year, as restated	<u>299,158</u>	<u>-0-</u>	<u>-0-</u>	<u>299,158</u>
Fund balances, end of year	<u>\$299,158</u>	<u>\$338,318</u>	<u>\$ -0-</u>	<u>\$ 637,476</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2003

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

Net change in fund balances	\$338,318
Transfer between governmental and business-type activities	297,692
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds	<u>(5,009)</u>
Change in net assets	<u>\$631,001</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET ASSETS--PROPRIETARY FUNDS
DECEMBER 31, 2003

<u>ASSETS</u>				
<u>Business-type Activities--Enterprise Funds</u>				
	<u>Shelter Plus Care</u>	<u>Real Estate Acquisition and Land Banking Mechanism</u>	<u>Other Enterprise Funds</u>	<u>Total</u>
Current Assets:				
Cash	\$ 52	\$ 80,682	\$-0-	\$ 80,734
Grants receivable	-0-	16,850	-0-	16,850
Accrued interest receivable	14	-0-	-0-	14
Due from other funds	<u>16,236</u>	<u>517,696</u>	<u>-0-</u>	<u>533,932</u>
Total current assets	<u>16,302</u>	<u>615,228</u>	<u>-0-</u>	<u>631,530</u>
Noncurrent Assets:				
Inventory	<u>-0-</u>	<u>1,485,059</u>	<u>-0-</u>	<u>1,485,059</u>
Total noncurrent assets	<u>-0-</u>	<u>1,485,059</u>	<u>-0-</u>	<u>1,485,059</u>
Total assets	<u>16,302</u>	<u>2,100,287</u>	<u>-0-</u>	<u>2,116,589</u>
<u>LIABILITIES</u>				
Current Liabilities:				
Amounts payable	\$ 755	\$ -0-	\$-0-	\$ 755
Deferred revenues	-0-	180,900	-0-	180,900
Amounts payable - HUD	-0-	-0-	-0-	-0-
Due to other funds	3,046	547,755	-0-	550,801
Line of credit	<u>-0-</u>	<u>750,000</u>	<u>-0-</u>	<u>750,000</u>
Total current liabilities	<u>3,801</u>	<u>1,478,655</u>	<u>-0-</u>	<u>1,482,456</u>
<u>NET ASSETS</u>				
Unrestricted net assets	<u>12,501</u>	<u>621,632</u>	<u>-0-</u>	<u>634,133</u>
Total net assets	<u>\$16,302</u>	<u>\$2,100,287</u>	<u>\$-0-</u>	<u>\$2,116,589</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS-PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Business-type Activities—Enterprise Funds</u>			<u>Total</u>
	<u>Shelter Plus Care</u>	<u>Real Estate Acquisition and Land Banking Mechanism</u>	<u>Other Enterprise Funds</u>	
Operating Revenues:				
Gain on disposition of inventory	\$ <u>-0-</u>	\$ <u>158,608</u>	\$ <u>-0-</u>	\$ <u>158,608</u>
Total operating revenues	<u>-0-</u>	<u>158,608</u>	<u>-0-</u>	<u>158,608</u>
Operating Expenses:				
Housing Assistance payments	188,711	-0-	-0-	188,711
Other	<u>-0-</u>	<u>2,875</u>	<u>-0-</u>	<u>2,875</u>
Total operating expenses	<u>188,711</u>	<u>2,875</u>	<u>-0-</u>	<u>191,586</u>
Operating income (loss)	<u>(188,711)</u>	<u>155,733</u>	<u>-0-</u>	<u>(32,978)</u>
Nonoperating revenues:				
Grants and subsidies	<u>188,711</u>	<u>32,750</u>	<u>-0-</u>	<u>221,461</u>
Total nonoperating revenues	<u>188,711</u>	<u>32,750</u>	<u>-0-</u>	<u>221,461</u>
Income before transfers	-0-	188,483	-0-	188,483
Transfers out	<u>-0-</u>	<u>(30,551)</u>	<u>-0-</u>	<u>(30,551)</u>
Change in net assets	<u>-0-</u>	<u>157,932</u>	<u>-0-</u>	<u>157,932</u>
Total net assets, beginning of year	12,501	463,700	19,318	495,519
Adjustment to beginning net assets	<u>-0-</u>	<u>-0-</u>	<u>(19,318)</u>	<u>(19,318)</u>
Total net assets, end of year	<u>\$ 12,501</u>	<u>\$ 621,632</u>	<u>\$ -0-</u>	<u>\$ 634,133</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

Cash Flows from Operating Activities:	
Receipts from customers	\$ 685,782
Payments to suppliers and HUD	(218,397)
Payments to customers	(188,711)
Purchase of inventory	(543,291)
Receipts from other programs	1,084,760
Payments to other programs	(1,363,134)
Other payments	(2,875)
Adjustments to beginning net assets	<u>(19,318)</u>
Net cash used in operating activities	<u>(565,184)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from line of credit	<u>450,000</u>
Cash provided by capital and related financing activities	<u>450,000</u>
Cash Flows from Noncapital Financing Activities:	
Subsidy from federal grant	221,461
Support to other program	<u>(30,551)</u>
Net cash provided by noncapital financing activities	<u>190,910</u>
Net increase in cash and temporary cash investments	75,726
Cash, beginning of year	<u>5,008</u>
Cash, end of year	<u>\$ 80,734</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ (32,978)
Adjustments to reconcile operating income to net cash used in operating activities:	
Decrease in amounts receivable, net	2,422
Increase in inventory	(182,589)
Decrease in due from other funds	1,084,760
Increase in grant receivable	(16,850)
Decrease in amounts payable	(12,732)
Decrease in due to other funds	(1,363,134)
Decrease in amounts payable - HUD	(205,665)
Increase in deferred revenues	180,900
Adjustment to beginning net assets	<u>(19,318)</u>
Net cash used in operating activities	<u>\$ (565,184)</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Background and General Data:

Background

The **New Orleans Redevelopment Authority (NORA)** exists under the authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968. **NORA** was formulated as a program by the City of New Orleans for the utilization of appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the creation and organization of a community improvement agency; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans in accordance with community improvement plans or projects approved by the governing body of the City of New Orleans; to define the duties, liabilities, exemptions, authority and functions of such community improvement agency, including the acquisition of property by negotiation, gift or expropriation, the disposition of property by sale or lease, the issuance of bonds, borrowing of money and giving of security therefore and to allow bonds issued to be legal investments for banks and fiduciaries; to provide for notice and hearing; to authorize entering into agreements to secure Federal aid; to authorize public bodies to furnish funds, services, facilities and property in aid of community improvement projects and related activities hereunder; and to provide that securities issued and properties while held by the **New Orleans Redevelopment Authority** shall be exempt from taxation.

On July 7, 1994, the Louisiana Legislature passed Act No. 65 which amended Act No. 170 that created the **New Orleans Redevelopment Authority**. Act No. 65 effectively changed the name of the Community Improvement Agency to **New Orleans Redevelopment Authority**. In addition, the Board of Commissioners also adopted a resolution approving the name change.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General

As of December 31, 2003, **NORA** was primarily engaged in the following programs:

- Blighted Property Removal Program
- Shelter Plus Care Program
- Real Estate Acquisition and Land Building Mechanism (REALM)

New Orleans Redevelopment Authority provides housing assistance payments on behalf of eligible families leasing safe, decent, and sanitary units from the owners of the property. In addition, **NORA** provides technical assistance under a contract with the City of New Orleans to provide rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

A brief description of each program follows:

- Blighted Property Removal Program

The Blighted Property Removal Program is designed to provide for the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community.

The program provides for technical assistance and/or financial assistance for rehabilitation, as may be available, to the existing property owner. The program is administered by **NORA** under contract with the City of New Orleans.

- Shelter Plus Care Program

The Shelter Plus Care Program is designed to develop viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income. The program's fiscal aspect is administered by **NORA** under contract with the City of New Orleans.

- Real Estate Acquisition and Land Banking Mechanism

The REALM program is designed to provide a mechanism for the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property to allow for a greater impact on blight and community redevelopment.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

General Fund

The general fund is used by **NORA** to account for all financial activities or resources that are not budgeted for in other funds.

Financial Reporting Entity

NORA exist under the Authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968 and subsequently amended by Act No. 65, passed in 1994. **NORA** has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the City of New Orleans.

Government Accounting Standards Board (GASB) Statement No. 14, *"The Financial Reporting Entity"* established standards for defining and reporting on the financial entity. GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

NORA was established as a separate, legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that **NORA** is a financial reporting entity within the meaning of the provisions of GASB 14.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

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 reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of **NORA**. The effect of interfund activity has been removed from these statements.

NORA's 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 with a specific function or segment. Program revenues include 1) charges to customers or applicants who use or directly benefit from 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 are properly included among program revenues or reported instead as general revenues.

Separate financial statements are provided for governmental and proprietary funds.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements, Continued

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund financial statements. 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. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NORA reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Blighted Properties Administrative/NHIF Program is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes regarding the rehabilitation and/or demolition and removal of blight in the City of New Orleans.

NORA reports the following major proprietary funds:

The Shelter Plus Care Program accounts for the activities of **NORA** in providing housing assistance payments on behalf of eligible families leasing from owners of property.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Government-Wide and Fund Financial Statements, Continued

The Real Estate Acquisition and Land Banking Mechanism Program accounts for activities related to the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a propriety fund's principal ongoing operations. The principal operating revenues of NORA's enterprise fund are charges to customers for services and sales of inventory of land. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NORA adopted the provisions of GASB 33 *Accounting and Financial Reporting for Non-Exchange Transactions* effective for fiscal years that began after June 15, 2000.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Under GASB 33 Standards, **NORA** recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- **NORA** recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenue and expenses are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements, resources received prior to the satisfaction of the time requirement(s), are recorded by **NORA** as deferred revenue upon award.

Statement of Cash flows

For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with an original maturity of ninety (90) days or less when purchased to be cash equivalents.

Capital Assets

Capital assets include land and equipment and are recorded at cost when the individual cost exceeds \$500. When no historical records are available, land and equipment are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. In addition, costs associated with certain property acquired with CDBG funds received from the City of New Orleans are reflected as program costs to the respective programs. The property inventory is accounted for by the City of New Orleans.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Capital Assets, Continued

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not included in or capitalized in the proprietary fund. Equipment in the governmental activities of **NORA** is recorded at cost.

Capital assets are depreciated in the governmental activities of **NORA** using the straight-line method over a five (5) year estimated useful life. At December 31, 2003, equipment in the proprietary fund in an amount of \$26,455 is fully depreciated.

Inventory

Inventory is recorded at cost and represent cost incurred in the acquisition of blighted properties. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

Compensated Absences

NORA follows Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued

Compensated Absences, Continued

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Budgetary Data

NORA does not formally adopt or utilize a budget for its General Fund. Budgetary data for its Blighted Properties Administrative program is submitted to and approved annually by the applicable funding sources of **NORA**.

Because the budgets in the Special Revenue Funds are prepared on an accrual basis, no differences in budget basis and GAAP basis occur for those funds.

Prepaid Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Post-retirement Benefits:

NORA provides certain continuing health care and life insurance benefits for its retired employees. Substantially all of **NORA's** employees become eligible for these benefits if they reach normal retirement age while working for **NORA**. These benefits for retirees and similar benefits for active employees are provided through a private insurer, whose monthly premiums are paid jointly by the employee and **NORA**. **NORA** recognizes the cost of providing these benefits (**NORA's** portion of premiums) as an expenditure when the monthly healthcare and life insurance benefit premiums are due. In 2003, **NORA's** portion of benefit premiums totaled \$13,473.

NOTE 4 - Cash:

At December 31, 2003, the carrying amount of **NORA's** cash deposits was \$182,307 and the cumulative collected bank balance was \$405,819. The cumulative collected bank balance is covered by federal depository insurance. Custodial credit risk, is the risk that in the event of a failure by the financial institution, **NORA's** deposits may not be returned to it. **NORA** has no deposit policy for custodial credit risk; however, at December 31, 2003, none of **NORA's** bank balances were exposed to custodial risk. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent. These securities are held by the fiscal agent bank in the name of **NORA**.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - Capital Assets:

At December 31, 2003, capital assets consisted of the following:

	<u>Balance</u> January 1, 2003	<u>Additions</u>	<u>Balance</u> December 31, 2003
Land	\$ 34,000	\$-0-	\$ 34,000
Equipment	<u>26,455</u>	<u>-0-</u>	<u>26,455</u>
	60,455	-0-	60,455
Less accumulated depreciation	<u>(26,455)</u>	<u>-0-</u>	<u>(26,455)</u>
Total	<u>\$ 34,000</u>	<u>\$-0-</u>	<u>\$ 34,000</u>

NOTE 6 - Inventory:

At December 31, 2003, **NORA's** inventory balance consist of costs associated in the acquisition of property by expropriation and held for resale in accordance with **NORA's** efforts to rehabilitate, clear, and redevelop slum and blighted areas.

NOTE 7 - Reserved Fund Balance:

The reserved fund balance represents residual funds from completed projects. The fund primarily consists of deposits on land for Project A-2; retainage for contract work; relocation funds; and annual leave accrued for employees under the Comprehensive Employment Training Act. At December 31, 2003, no final determination has been made regarding the disposition of the funds.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Due To/From Other Funds:

As of December 31, 2003, interfund receivables and payables that resulted from various interfund transactions were as follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$2,468,388	\$1,684,397
Blighted Properties/ Administrative Fund/NHIF	2,589,155	3,356,277
Real Estate Acquisition and Land Banking Mechanism	517,696	547,755
Shelter Plus Care Program	<u>16,236</u>	<u>3,046</u>
Total	<u>\$5,591,475</u>	<u>\$5,591,475</u>

NOTE 9 - Grants Receivable:

At December 31, 2003, grants receivable consists of \$1,494,114 due from the City of New Orleans to reimburse **NORA** for cost incurred on behalf of the Blighted Properties Administrative Program and \$16,850 due from the State of Louisiana Department of Economic Development for costs incurred on behalf of the Hoffman Triangle Development Project.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Leases:

NORA leases vehicles and equipment under operating leases. Total cost of such leases was \$16,668 for the year ended December 31, 2003. The future minimum lease payments for leases are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2004	\$22,707
2005	21,039
2006	7,044
2007	7,044
2008	<u>1,761</u>
Total	<u>\$59,595</u>

NOTE 11 - Retirement System:

Plan Description

NORA participates in a single-employer qualified defined benefit pension and retirement plan under Section 401(a) of the Internal Revenue Code operated by the Louisiana State Employees' Retirement System (LASERS). Membership in LASERS is mandatory for all State employees whose agency is a LASERS participant except those excluded by law.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Retirement System, Continued

Plan Description, Continued

LASERS is a public trust fund created by Act of Louisiana Legislature in 1946 to provide retirement allowances and other benefits to State officers and employees and their beneficiaries.

Plan Funding

Funding for the system comes from these sources: employee's contribution which is currently 7.5% of earned compensation, employer's contribution which is currently 15.80%, and earnings from investments. For the year ended December 31, 2003, NORA's pension cost was \$49,300.

Information on the plan can be obtained at the following address:

Louisiana State Employees Retirement System
8401 United Plaza Blvd.
Baton Rouge, LA 70804-4213
Telephone: (800) 256-3000
FAX: (225) 922-0614
Website: lasers.state.la.us

Most recent historical trend information showing the plans progress in accumulating sufficient assets to pay benefits when due is presented in the plan's annual financial report. This report is subject to an audit by independent auditors who issue separate reports thereon.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Retirement System, Continued:

The following summarizes selected information on the entire LASERS plan:

<u>Fiscal Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u> <u>(Value at Midyear)</u>	<u>Percentage</u> <u>of APC</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
2001	<u>\$260,125,807</u>	<u>100.0</u>	<u>\$(8,404,197)</u>
2002	<u>\$281,791,317</u>	<u>96.3</u>	<u>\$ 2,047,670</u>
2003	<u>\$328,772,738</u>	<u>94.1</u>	<u>\$21,225,164</u>

In accordance with GASB No.27, the components of the annual pension cost and net pension obligation to LASERS at midyear are as follows:

Actuarial required contribution	\$ 326,335,197
Interest on net pension obligation	168,933
Adjustment to annual required contribution	<u>2,268,608</u>
Annual pension cost-interest adjusted to end of year	328,772,738
Contributions made	<u>(309,595,244)</u>
Increase in net pension obligation	19,177,494
Net pension obligation, beginning of year	<u>2,047,670</u>
Net pension obligation, end of year	<u>\$ 21,225,164</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 12 - Risk Management:

NORA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which **NORA** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 13 - Concentration of Credit Risk:

NORA receives primarily all of its revenues from the City of New Orleans as a pass-through grant from the U.S. Department of Housing and Urban Development. If the amount of revenues received from the City of New Orleans falls below contract levels, **NORA's** operating results could be adversely affected.

NOTE 14 - Commitments and Contingencies:

NORA is named in various suits involving expropriation of properties. It is counsel's opinion at December 31, 2003, and as of June 18, 2004 of a favorable outcome or counsel is unable to determine outcome.

Funding

NORA is the recipient of a \$100,000 grant from the State of Louisiana Department of Economic Development to conduct an assessment of properties within a specific area, to conduct a feasibility study on acquiring a property for development, obtaining an architectural design and conducting Phase I calls for redevelopment of a multipurpose facility in connection with the Hoffman Triangle Project.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - Line of Credit:

Line of credit consists of an outstanding balance at December 31, 2003, of \$750,000 on a revolving line of credit totaling \$750,000 effective August 2, 2002 and maturing on August 4, 2004. The interest rate on the line of credit is 7%. Payment terms amount to twelve (12) months interest only payments with the principal to be paid at maturity.

NOTE 16 - Changes in Compensated Absences:

<u>Balance at January 1, 2003</u>	<u>Additions</u>	<u>Balance at December 31, 2003</u>
<u>\$18,501</u>	<u>\$5,009</u>	<u>\$23,510</u>

NOTE 17 - Amounts Payable:

At December 31, 2003, amounts payable consisted of the following:

Vendors	\$633,698
Payroll taxes payable	12,017
Other	<u>13,072</u>
Total	<u>\$658,787</u>

NOTE 18 - Deferred Revenues:

At December 31, 2003, deferred revenues consist of sales proceeds received by NORA from potential purchases for the sales of properties scheduled for 2004.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 19 - Related Party:

One of NORA's commissioners also holds an executive position with a City of New Orleans agency that directly approves and funds NORA's Blighted Properties Removal Program.

NOTE 20 - Per Diem for Board of Commissioners:

During the year ended December 31, 2003, no board member received per diem in his/her capacity as a Commissioner.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Our report on our audit of the financial statements of the **New Orleans Redevelopment Authority (NORA)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations"* and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information (Exhibits A, B, E and F) which are prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

June 18, 2004

NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET--GENERAL FUND
DECEMBER 31, 2003

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Advance	\$ 40,000	\$ -0-	\$ 40,000
Amounts receivable	57,102	-0-	57,102
Due from other funds	<u>1,787,383</u>	<u>681,005</u>	<u>2,468,388</u>
 Total assets	 <u>1,884,485</u>	 <u>681,005</u>	 <u>2,565,490</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Amounts payable	\$ 13,190	\$174,743	\$ 187,933
Advances--			
City of New Orleans	9,783	-0-	9,783
Amounts payable - HUD	205,665	-0-	205,665
Due to other funds	1,311,972	372,425	1,684,397
Due to City of New Orleans	<u>44,717</u>	<u>133,837</u>	<u>178,554</u>
 Total liabilities	 <u>1,585,327</u>	 <u>681,005</u>	 <u>2,266,332</u>
 <u>Fund balances</u>			
Unreserved	93,793	-0-	93,793
Reserved	<u>205,365</u>	<u>-0-</u>	<u>205,365</u>
 Total fund balances	 <u>299,158</u>	 <u>-0-</u>	 <u>299,158</u>
 Total liabilities and fund balances	 <u>\$1,884,485</u>	 <u>\$681,005</u>	 <u>\$2,565,490</u>

See Independent Auditors' Report on Supplementary Information.

EXHIBIT B

**NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Totals</u>
<u>Revenues</u>			
Total revenues	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
<u>Expenditures</u>			
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	87,185	-0-	87,185
Adjustment to beginning fund balance	<u>211,973</u>	<u>-0-</u>	<u>211,973</u>
Fund balance, beginning of year, as restated	<u>299,158</u>	<u>-0-</u>	<u>299,158</u>
Fund balance, end of year	<u>\$299,158</u>	<u>\$-0-</u>	<u>\$299,158</u>

See Independent Auditors' Report on Supplementary Information.

**NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND--
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Total revenues	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
<u>Expenditures</u>			
Total expenditures	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net change in fund balance	-0-	-0-	\$ <u>-0-</u>
Fund balance, beginning of year	87,185	87,185	
Adjustment to beginning fund balance	<u>-0-</u>	<u>211,973</u>	
Fund balance, beginning of year, as restated	<u>87,185</u>	<u>299,158</u>	
Fund balance, end of year	<u>\$87,185</u>	<u>\$299,158</u>	

See Independent Auditors' Report and Supplemental Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE—
BUDGET AND ACTUAL
BLIGHTED PROPERTIES ADMINISTRATIVE FUND
FOR THE YEAR ENDED DECEMBER 31, 2003

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	\$1,500,000	\$1,500,000	\$1,494,114	\$ (5,886)
Other income	<u>24,960</u>	<u>24,960</u>	<u>24,910</u>	<u>(50)</u>
Total revenues	<u>1,524,960</u>	<u>1,524,960</u>	<u>1,519,024</u>	<u>(5,936)</u>
<u>Expenditures</u>				
Salaries and employee benefits	459,760	459,760	459,520	240
Repairs and maintenance	4,443	4,443	4,443	-0-
Contractual services	628,849	628,849	597,079	31,770
Equipment and property	329,910	329,910	9,106	320,804
Supplies	7,489	7,489	7,489	-0-
Telephone	6,236	6,236	6,236	-0-
Automobile expenses	1,902	1,902	1,902	-0-
Postage and printing	1,220	1,220	1,220	-0-
Insurance	38,115	38,115	38,115	-0-
Interest expense	44,304	44,304	40,293	4,011
Other	<u>2,732</u>	<u>2,732</u>	<u>2,732</u>	<u>-0-</u>
Total expenditures	<u>1,524,960</u>	<u>1,524,960</u>	<u>1,168,135</u>	<u>356,825</u>
Net change in fund balance	-0-	-0-	350,889	<u>\$350,889</u>
Fund balance, beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Fund balance, end of year	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 350,889</u>	

See Independent Auditors' Report on Supplementary Information.

EXHIBIT E

NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003

	COMMUNITY DEVELOPMENT REHABILITATION				LAND ACQUISITION AND DEVELOPMENT		Total
	Eighth Program Year	Ninth Program Year	Tenth Program Year	Eleventh Program Year	Twelfth Program Year	Desire Square Fund	
<u>Revenues</u>							
Total revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>Expenditures</u>							
Total expenditures	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net change in fund balances	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Fund balance, beginning of year	-0-	-0-	-0-	-0-	-0-	-0-	192,655
Adjustment to beginning fund balance	-0-	-0-	-0-	-0-	-0-	-0-	(192,655)
Fund balance, beginning of year, as restated	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Fund balance, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

See Independent Auditors' Report on Supplementary Information.

EXHIBIT F

**NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPE
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT ANNUAL CONTRIBUTION CONTRACTS				Total
	FW-2147 Project LA 48-0060-001	FW-2147 Project LA 48-K218-002	FW-2147 Project LA 48-K218-005	FW-2147 Project LA 48-K218-006	FW-2296E Project LA 48-E218-001
Operating Revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total operating revenues	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
<u>Operating Expenses</u>					
Total operating expenses	-0-	-0-	-0-	-0-	-0-
Operating income (loss)	-0-	-0-	-0-	-0-	-0-
Nonoperating revenues					
Total nonoperating revenues	-0-	-0-	-0-	-0-	-0-
Change in net assets	-0-	-0-	-0-	-0-	-0-
Net assets (deficit), beginning of year	45,214	(393,156)	404	134,492	568,401
Adjustment to beginning net assets (deficit)	(45,214)	393,156	(404)	(134,492)	(568,401)
Net assets, beginning of year, as restated	-0-	-0-	-0-	-0-	-0-
Net assets, end of year	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

**NEW ORLEANS REDEVELOPMENT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2003**

<u>Program Grantor/Title</u>	<u>CFDA Number</u>	<u>Grantor Number</u>	<u>Federal Expenditures</u>
PROGRAMS FUNDED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT;			
Pass Through CDBG Funds as Subgrantee of the City of New Orleans:			
Shelter Plus Care Program	14.238	N/A	\$ 188,711
Blighted Properties Removal Program	*14.218	N/A	<u>1,494,114</u>
Total passed through funds			<u>1,682,825</u>
Total			<u>\$1,682,825</u>

*-Denotes Major Program as defined by OMB Circular A-133

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of **NORA** and is presented on a modified accrual basis of accounting. The information on this schedule is presented in accordance with other requirements of OMB Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations."

See Independent Auditors' Report on Supplementary Information.



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

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

We have audited the financial statements of the **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2003, and have issued our report thereon dated June 18, 2004. 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 of America.

Compliance

As part of obtaining reasonable assurance about whether **NORA'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 statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2003-01.

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

(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NORA'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 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 material weaknesses. However, we noted an instance of noncompliance which we have reported to management of NORA in a separate letter dated June 18, 2004.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana, the U.S. Department of Housing and Urban Development and the City of New Orleans and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 18, 2004



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Compliance

We have audited the compliance of the **New Orleans Redevelopment Authority (NORA)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2003. NORA's major federal program is identified in the Summary of Auditors' Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of NORA's management. Our responsibility is to express an opinion on NORA's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

with the types of compliance requirements previously referred to that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **NORA's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **NORA's** compliance with those requirements.

In our opinion, **NORA** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2003. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2003-02.

Internal Control Over Compliance

The management of **NORA** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **NORA's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

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 noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program 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 internal control over compliance and its operations that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, NORA's management, the Legislative Auditor for the State of Louisiana, the U.S. Department of Housing and Urban Development and the City of New Orleans and is not intended to be, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 18, 2004

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2003

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Reportable condition (s) identified that are not considered to be material weaknesses? None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? No
- Reportable condition(s) identified that are not considered to be material weakness(es)? None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.218	Blighted Properties Removal Program (CDBG)
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section II - Financial Statement Finding

Reference Number

2003-01

Criteria

Article VII, Section 8(b) of the 1974 Louisiana Constitution states in part "No bonds or other obligations shall be issued or sold by the state, directly or through any state board, agency, or commission, or by any political subdivision of the state, unless prior written approval of the bond commission is obtained.

Condition

At December 31, 2003, **NORA** had a loan agreement with the New Orleans Community Development Organization totaling \$750,000. Our review also revealed that **NORA** has not obtained written approval from the bond commission.

Effect

Noncompliance with Louisiana Constitution Article VII Section 8(b).

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section II - Financial Statement Finding, Continued

Reference Number, Continued

2003-01

Cause

Unfamiliarity with the requirements of Article VII Section 8(b).

Recommendation

We recommend that **NORA** comply with the requirements of Article VII Section 8(b).

Management's Response

Management has initiated the necessary action to attain compliance. Anticipated completion date is October 31, 2004.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section III - Federal Award Finding and Questioned Costs

Reference Number

2003-02

Federal Program

U.S. Department of Housing and Urban Development (See Schedule of Expenditures of Federal Awards).

Criteria

Section I of the contract dated January 1, 2003, between **NORA** and the Mayor's Division of Housing and Neighborhood Development (DHND) states as follows:

- The contractor agrees to provide the Mayor's Division of Housing and Neighborhood Development, one (1) copy of the information described and requested in the Monthly Reporting Requirements.

Condition

Our review of **NORA's** August 2003 program report revealed an instance where the year to date cumulative balance at July 31, 2003, did not agree to the August 1, 2003 balance.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section III - Federal Award Finding and Questioned Costs, Continued

Reference Number, Continued

2003-02

Effect

Inaccurate reporting of monthly blighted properties activities.

Cause

Lack of an adequate tracking mechanism to ensure that all blighted properties activities are properly reported.

Recommendation

We recommend that management establish the necessary tracking system to include supervisory oversight to ensure that all blighted properties activities are properly accounted for and reported.

Management's Response

Management is currently working on a system to ensure the proper tracking of all blighted properties activities. Expected resolution date is October 31, 2004.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section IV - Status of Prior Year' Findings and Questioned Costs

Reference Number

2002-01

Condition

The operation of NORA's internal control over financial reporting exhibited the following conditions:

- Subsidiary ledgers for significant general ledger accounts such as, acquisition deposits, unimproved land inventory, interfund, and sales are not maintained and/or reconciled to the applicable general ledger control accounts; and
- Untimely and inaccurate recordation of financial transactions.

It is our understanding that NORA initiated the process of maintaining the above referenced subsidiary ledgers; however, as a result of the termination of the employee responsible for such, the process was temporarily halted.

Current Status

Management has completed the monthly reconciliations of all significant subsidiary ledgers to the related general ledger accounts.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section IV - Status of Prior Year' Findings and Questioned Costs, Continued

Reference Number

2002-02

Condition

Our review of NORA's monthly reporting requirements revealed the following conditions:

- Unreconciled difference between number of properties available for purchase and blighted properties list as disbursed to public; and
- Unreconciled differences noted between amounts reported on December 2002 monthly reports and supporting documentation for the following:
 - Number of properties expropriated;
 - Number of properties sold; and
 - Number of cases received.

Current Status

See current year finding reference number 2003-02.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section IV - Status of Prior Year' Findings and Questioned Costs, Continued

Reference Number

2001-02

Condition

The current procedure for accounting for all "land banking" activities does not facilitate the timely, accurate and complete identification and recordation of all real property acquisitions and sales transactions.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section IV - Status of Prior Year' Findings and Questioned Costs, Continued

Reference Numbers

98-3 and 97-1

Condition

NORA currently maintains a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because **NORA** is on a cost reimbursement basis with its funding source, a significant amount of transactions undertaken by **NORA** results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund on a timely basis nor are interfund activities reconciled on a monthly basis.

Current Status

Management continues to work with its funding source to ensure the timely reimbursement of cost. In addition, **NORA** continues to explore other sources of funding and/or financing of its operations.

NEW ORLEANS REDEVELOPMENT AUTHORITY
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2003

Section IV - Status of Prior Year' Findings and Questioned Costs, Continued

Reference Number

97-3

Condition

Subsidiary ledgers are not maintained and/or reconciled to the applicable general ledger control accounts.

There are several balance sheet accounts in the general ledger for which management was unaware of the detail composition or purpose (i.e. acquisition payable). Additionally, several accounts in the general ledger reflected balances at December 31, 1997, which were contrary to the description of the account (i.e. revenue bonds payable, community loans, and accounts payable-other).

Current Status

Management has hired an accountant who has been charged with the ultimate resolution of the above condition. Expected completion date is September 30, 2004.

NEW ORLEANS REDEVELOPMENT AUTHORITY

EXIT CONFERENCE

An exit conference was held with a representative of **NORA**. The contents of this report were discussed and management indicated their concurrence in all material respects. The following were in attendance:

NEW ORLEANS REDEVELOPMENT AUTHORITY

Lisa Mazique

– Executive Director

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Paul K. Andoh, Sr., CPA, MBA, CGFM

– Partner

**New
Orleans
Redevelopment
Authority**

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July 6, 2004

Reclaiming Our Past..... Building Our Future

Bruno & Tervalen LLP
Certified Public Accountants
4298 Elysian Fields Avenue
New Orleans, LA 70122

Dear Sirs:

In connection with the December 31, 2003, audit of the New Orleans Redevelopment Authority, please find enclosed the corrective action plan developed by New Orleans Redevelopment Authority in response to the current and prior years' audit findings and management letter comments, as applicable.

In all findings attached, Ms. Lisa Mazique is the contact person.

If any further information is required, do not hesitate to contact me at (504) 299-4871.

Sincerely,

Lisa Mazique
Executive Director

Enclosures





Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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04 JUL -9 PM 2:24

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

Ms. Lisa Mazique Executive Director
New Orleans Redevelopment Authority

In planning and performing our audit of the financial statements of the **New Orleans Redevelopment Authority (NORA)**, we considered **NORA's** internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

As a part of our audit, we noted a certain matter that is an opportunity for strengthening internal control and improving operating efficiency. In addition, we discussed with management, the current status of prior years' management comments. We previously reported on **NORA's** internal control in our report dated June 18, 2004. This letter does not affect our report dated June 18, 2004, on **NORA's** internal control or its financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

The following summarizes our current and prior year's status of comments and suggestions regarding the matters previously discussed.

CURRENT YEAR'S COMMENT

Condition

The operation of NORA's internal control over financial reporting exhibited the following conditions:

- Timely and accurate reconciliation of all significant subsidiary ledgers to their related general ledger accounts;
- Untimely review and approval of bank reconciliations by NORA's management;
- Properly accounting for vendor checks processed, which have not been released for payment and are currently listed in the uncleared checks section of the bank reconciliation; and
- No preparation and submission of monthly financial statements to management and the Board of Commissioners.

Recommendation

We recommend that management revise its current procedures to require the following processes on a monthly basis:

- Review and approval of all bank account reconciliations with an initialing to evidence such;
- Properly account for checks not issued;
- Prepare and submit financial statements for review by management and the Board of Commissioners; and
- Preparation and review of all significant subsidiary ledger accounts.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

Management's Response

Management has initiated a review and anticipate resolution by no later than September 30, 2004.

PRIOR YEAR'S COMMENTS

Condition

Considering the size of NORA, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of NORA's assets.

Current Status

NORA has hired an additional accounting staff to ensure proper segregation of duties.

Condition

Seven (7) out of thirteen (13) of NORA's bank reconciliations for the month of December 2002 lacked evidence of review and approval by an appropriate member of management or designee.

Current Status

Currently, all bank reconciliations and bank statements are reviewed and approved by the Executive Director.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

Condition

The operations of NORA's internal control over financial reporting exhibited the following conditions:

- Twelve (12) instances where no mathematical verification of invoices were performed by staff prior to payment of invoices;
- Three (3) instances where invoices were not stamped paid to denote their status; and
- One (1) instance of improper account distribution.

Current Status

Management has ensured that mathematical verification of all invoices are performed. All invoices are stamped paid once payment has been approved, processed and released. Management has implemented internal control procedures to verify proper account distribution.

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of the Board of Commissioners, management, United States Department of Housing and Urban Development, Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

June 18, 2004