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**Garden District's Security District  
New Orleans, Louisiana**

**General Purpose Financial Statements  
With Independent Auditor's 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 9.1.04

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**PEDELAHORE & CO., LLP**  
Certified Public Accountants

May 19, 2004

Office of Legislative Auditor  
Attention: Ms. Suzanne Elliot, CPA  
Post Office Box 94397  
1600 North Third Street  
Baton Rouge, Louisiana 70804-9397

Re: Garden District's Security District  
New Orleans, Louisiana

Dear Ms. Elliot:


In accordance with Louisiana Revised Statute 24:514, enclosed are the annual financial statements for Garden District's Security District (GDSD) as of and for the year ended December 31, 2003.

The report includes all funds under the control and oversight of GDSD. Also, as indicated in Note 2 to the financial statements, there are no component units included in GDSD's reporting entity. The accompanying financial statements have been prepared in accordance with generally accepted accounting principles.

In accordance with the instructions outlined in the *Louisiana Governmental Audit Guide*, please find enclosed one unbound copy of the financial statements and accompanying reports and supplementary information including a management letter. Also attached (but not bound herein) is the Data Collection Form concerning this engagement.

Additionally, copies of the financial statements and reports referred to above have been distributed to the Board of Commissioners of GDSD.

Respectfully,



Pedelamore & Co., LLP  
Certified Public Accountants

**PEDELAHORE & CO., LLP**  
Certified Public Accountants

**Independent Auditor's Report**

To the Board of Commissioners  
Garden District's Security District  
New Orleans, Louisiana

We have audited the accompanying general purpose financial statements of Garden District's Security District (GDSD), as of and for the year ended December 31, 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of GDSD's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America 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 general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Garden District's Security District, as of December 31, 2003, and the results of its operations 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 May 19, 2004, on our consideration of GDSD'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 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying information listed as supplementary information in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of GDSD. Such information has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

*Pedelahou & Co., LLP*

May 19, 2004

**Garden District's Security District**  
**Balance Sheet**  
December 31, 2003

**Assets**

Cash	\$ 18,138
Prepaid expenses	1,487
Accounts receivable	3,405
Due from Board of Liquidation - City debt	<u>352,331</u>
	<u>\$ 375,361</u>

**Liabilities And Fund Balance**

Accounts payable	\$ 34,210
Other accrued expenses	<u>4,400</u>
Total liabilities	<u>38,610</u>
Fund balance	<u>336,751</u>
	<u>\$ 375,361</u>

The Notes to Financial Statements are an integral part of this statement.

**Garden District's Security District**  
**Statement Of Revenues, Expenditures, And**  
**Changes In Fund Balance**  
**For The Year Ended December 31, 2003**

<b>Revenues</b>	
Ad valorem taxes (net of collection fees)	\$ 520,821
Interest earned	<u>4,708</u>
 Total Revenues	 <u>525,529</u>
 <b>Expenditures</b>	
Patrol and security services	392,293
Administrative and office expense	25,315
Legal defense	14,712
Insurance	6,966
Accounting and auditing	4,400
Miscellaneous expenses	<u>621</u>
 Total Expenditures	 <u>444,307</u>
 <b>Excess Of Revenues Over Expenditures</b>	 81,222
 Fund Balance At Beginning Of Year	 <u>255,529</u>
 <b>Fund Balance At End Of Year</b>	 <u><u>\$ 336,751</u></u>

The Notes to Financial Statements are an integral part of this statement.

**Garden District's Security District**  
**Statements Of Revenues, Expenditures, And**  
**Changes In Fund Balance - Budget And Actual**  
**For The Year Ended December 31, 2003**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> Favorable (Unfavorable)	<u>%</u> <u>Variance</u>
<b>Revenues</b>				
Ad valorem taxes (net of fees)	\$ 474,596	\$ 520,821	\$ 46,225	
Interest earned	<u>6,000</u>	<u>4,708</u>	<u>(1,292)</u>	
 Total Revenues	 <u>480,596</u>	 <u>525,529</u>	 <u>44,933</u>	 9.3
<b>Expenditures</b>				
Patrol and security services	427,000	392,293	34,707	
Administrative and other expenses	57,400	37,302	20,098	
Legal defense	<u>50,000</u>	<u>14,712</u>	<u>35,288</u>	
 Total Expenditures	 <u>534,400</u>	 <u>444,307</u>	 <u>90,093</u>	 16.9
<b>Excess (Deficiency) Of Revenues</b>				
<b>Over Expenditures</b>	(53,804)	81,222	135,026	
 Fund Balance At Beginning Of Year	 <u>255,529</u>	 <u>255,529</u>	 <u>-</u>	
 <b>Fund Balance At End Of Year</b>	 <u>\$ 201,725</u>	 <u>\$ 336,751</u>	 <u>\$ 135,026</u>	

The Notes to the Financial Statements are an integral part of these statements.



# **Garden District's Security District**

## **Notes To Financial Statements**

### **Note 1. Introduction**

The Garden District's Security District (GDSD) is a special taxing district created by Act 86 of the First Extraordinary Session of 1998 of the Louisiana Legislature (Louisiana Revised Statute 33:2740.38 re-designated as Louisiana Revised Statute 33:9091.2), for the purpose of promoting and encouraging the security of the Garden District in the City of New Orleans.

GDSD is governed by a Board consisting of eleven members (commissioners) who are residents within the GDSD. The commissioners are appointed by certain organizations within the GDSD, the mayor, and the state senator and state representative of the GDSD. Commissioners are appointed on a rotating and staggered schedule of three-year terms, and serve without compensation.

The boundaries of GDSD are areas bounded by and including both sides of Carondelet Street, Jackson Avenue, Magazine Street, and Louisiana Avenue. GDSD serves over 2,500 residents and businesses and includes approximately 1,500 taxable properties.

GDSD has no employees and has contracted out the administrative function of the organization to an independent contractor that provides an office and a professional staff member.

As approved by a majority of voters of GDSD in October 2002, the operations of GDSD will be funded through 2010, by the imposition of a special ad valorem tax on all taxable real property within the GDSD.

### **Note 2. Summary Of Significant Accounting Policies**

#### **Basis Of Presentation:**

The accompanying general purpose financial statements of GDSD have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

## **Garden District's Security District**

### **Notes To Financial Statements**

#### **Reporting Entity:**

The Garden District's Security District is the basic level of government, which has financial accountability and control over all affairs of GDSD related to promoting and encouraging the security of the Garden District in Orleans Parish. GDSD is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, because the majority of Board members are appointed by the public, and said Board has decision making authority, the authority to set rates (within legally prescribed limits), the power to designate management, the ability to significantly influence operations, and has primary accountability for fiscal matters. In addition, there are no component units as defined in GASB Statement 14, which are included in GDSD's reporting entity.

#### **Fund Accounting:**

Due to the nature of the organization and its present operations, all revenues and expenditures of GDSD are accounted for in the General Fund, a governmental fund type. This fund is the general operating fund of GDSD. It is used to account for all financial resources of GDSD.

#### **Basis Of Accounting:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Measurement focus refers to what is being measured; basis of accounting refers to timing of when revenues and expenditures are recognized in the accounts and reported in the financial statements.

All revenues and expenditures of GDSD are accounted for in the General Fund (a governmental fund type). Governmental funds use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Revenues are recognized when susceptible to accrual, i.e., when they become measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable.

## **Garden District's Security District**

### **Notes To Financial Statements**

#### **Budget Practices:**

The proposed budget, prepared on the modified accrual basis of accounting, is submitted to the Board of Commissioners prior to the beginning of each fiscal year. The budget is made available for public inspection and is then legally adopted by the Board. The budget is established and controlled by GDSD, and is amended during the year, as necessary. All budgetary appropriations lapse at the end of the year and must be reappropriated for the following year to be expended.

#### **Cash:**

Cash includes amounts in interest bearing demand deposits. Under state law, GDSD may deposit funds in demand deposits, interest bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

At December 31, 2003, GDSD had cash (book balances) totaling \$18,138 in interest bearing demand deposits. These deposits are stated at cost, which approximates market. Under state law, these deposits, or the resulting bank balances, must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank.

#### **Investments:**

GDSD does not have any investments other than cash invested in an interest bearing checking account. Funds held in a custodial account of the Board of Liquidation, City Debt, are invested in fully secured certificates of deposit and/or obligations of the U. S. Government.

#### **Risk Management:**

GDSD is exposed to various risk of loss related to torts, and theft of, damage to and destruction of assets. To handle such risk of loss, GDSD maintains commercial insurance policies covering general liability and property insurance. There were no significant reductions in insurance coverage during the year ended December 31, 2003.

## **Garden District's Security District**

### **Notes To Financial Statements**

**Note 3. Ad Valorem Taxes**

Annually, GDSD submits a plan to the City Council of New Orleans to levy and collect a special ad valorem tax, not to exceed nineteen (19) mills, on all taxable real property situated within the boundaries of GDSD.

The City of New Orleans levies and collects the special taxes for GDSD in the same manner and at the same time as all other ad valorem taxes on property subject to taxation by the City of New Orleans are levied and collected. Specifically, with regards to GDSD, the special ad valorem taxes are assessed in August, levied in December, and the ensuing tax bills are mailed later in December. Ad valorem taxes are due by January 31, and are normally collected in January and February. The City is permitted to retain one percent (1%) of the amount collected as a collection fee.

Tax receipts are paid over to the Board of Liquidation, City Debt, day by day as collected. The Board of Liquidation, City Debt, serves in a custodial capacity for GDSD, and the funds collected are deposited in a special account until warranted by GDSD.

GDSD records the ad valorem taxes as receivables and revenues in the year the taxes become due.

**Note 4. Receivables – Due From Board Of Liquidation, City Debt**

Receivables totaling \$352,331 at December 31, 2003, represent funds held in a custodial account of the Board of Liquidation, City Debt. These funds, which have not been warranted by GDSD as of December 31, 2003, consist of ad valorem tax collections and interest earned on funds held in custody.

**Note 5. Pension Plan**

GDSD has no employees and is not a member of any retirement plan.

## **Garden District's Security District**

### **Notes To Financial Statements**

**Note 6.        Litigation And Claims**

GDSD, among others, has been named as a defendant in a lawsuit involving principally the constitutionality of the creation of GDSD, and the related policies concerning the operations of GDSD. Management of GDSD has defended this litigation vigorously and intends to continue to do so. The outcome of these claims cannot be determined at this time. However, in the opinion of the Board, any judgement rendered in favor of the plaintiffs will not materially affect the financial position of GDSD at December 31, 2003.

**Note 7.        Compensation Paid To Board Members**

The members of the Board of Commissioners of GDSD receive no compensation for their services.

**Note 8.        Other Commitments And Contingencies**

GDSD has a contract/security services agreement with a company that provides guard patrol services for the protection of the property and persons located within the boundaries of GDSD. In March 2003, the contract was amended to extend the term of the agreement for an additional two-year renewal ending in March 2005. Total expenditures under the contract for 2003 were \$358,385.

GDSD also has an agreement with an independent contractor that provides administrative and support services to GDSD. The agreement has no long-term commitment. Total expenditures for 2003 in conjunction with this agreement were \$24,000.

## **Supplementary Information**

## **Garden District's Security District**

### **Schedule Of Current Year Audit Findings For The Year Ended December 31, 2003**

#### **Summary of Audit Results**

1. The independent auditor's report includes an unqualified opinion on the general purpose financial statements of Garden District's Security District (GDSD) as of and for the year ended December 31, 2003.
2. The independent auditor's Report On Compliance And On Internal Control Over Financial Reporting Based On an Audit of Financial Statements performed in Accordance with Governmental Auditing Standards disclosed no instances of non-compliance or no reportable conditions during the audit of the basic financial statements, that are required to be reported in the above report. However, two findings involving one instance of non-compliance and one internal control matter were noted in a separate letter to management of GDSD dated May 19, 2004.
3. Status of prior audit findings - See Schedule of Prior Year Findings contained on page 13.

## **Garden District's Security District**

### **Schedule Of Prior Year Findings For The Year Ended December 31, 2003**

The following is a summary of the status of findings included in the Management Letter issued in connection with the audit of the Garden District's Security District as of and for the year ended December 31, 2002.

#### **Management Letter**

**Finding 00-1.            Reported resolved in an earlier period**

**Finding 00-2.            Collection Fee For Tax Collections**

*Finding/Recommendation:*

It was recommended that GDSD contact the appropriate City officials and determine if the one percent (1%) collection fee will be charged for collection of the ad valorem taxes of past and future periods. It was further suggested that GDSD consider creating a formal intergovernmental agreement for the collection fee.

*Status:*

Resolved. The City of New Orleans retains the 1% collection fee and remits only 99% in its payment to GDSD.



## **Garden District's Security District**

### **Management's Corrective Action Plan for Current Year Findings For the Year Ended December 31, 2003**

The Garden District's Security District respectfully submits the following corrective action plan for the year ended December 31, 2003.

#### **Management Letter**

The matters presented in the accountant's Management Letter are summarized below. The items are identified consistently with the numbers assigned in the letter.

#### **Finding 03-1. Resolution and Approval Requesting Special Counsel**

##### **Description of Finding:**

GSDS has proposed a resolution requesting special counsel and related compensation (under R.S. 42:262, 42:263 and 42:264). However, as of this date, the resolution has not been presented to the Attorney General for approval.

##### **Management's Response:**

Management concurs with the finding and is progressing in solving the matter. Specifically, management has presented and discussed this matter with the Office of the Attorney General and has received verbal approval to continue use of outside counsel through December 31, 2004. Additionally, it is management's intention to approve the formal resolution at the July 2004 board meeting, and then present the resolution to the Attorney General no later than September 30, 2004, for written approval.

#### **Finding 03-2. Bank Reconciliation Detail**

##### **Description of Finding:**

There were several instances where GSDS generated the monthly bank reconciliation in summary form, but did not print the corresponding detail listing of reconciling items.

A detail listing of reconciling items is necessary in order to maintain a complete and accurate audit trail, and to facilitate proper and periodic review of the monthly bank reconciliations.

##### **Management's Response:**

Effective immediately, GSDS will print the reconciling items in detail for all monthly bank reconciliations.

Implementation of the above procedures may be confirmed by contacting Shelley Landrieu, Executive Director, at 504/525-7911.

**PEDELAHORE & CO., LLP**  
Certified Public Accountants

**Management Letter**

To the Board of Commissioners  
Garden District's Security District  
New Orleans, Louisiana

In planning and performing our audit of the general purpose financial statements of Garden District's Security District (GDSD) as of and for the year ended December 31, 2003, we considered the entity's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Also, as part of our audit, we have issued our report on internal control and compliance dated May 19, 2004.

However, during our audit, we became aware of the following matters that represent immaterial deviations of compliance and recommendations for strengthening internal controls.

Our comments are summarized as follows:

**Compliance**

Finding 03-1                      Resolution and Approval Requesting Special Counsel

**Condition:**

GDSD has proposed a resolution indicating that there was and continues to be a real necessity to employ special counsel to defend the district with respect to ongoing litigation. Additionally, GDSD, as a special district created in Orleans Parish, has not determined with certainty whether such resolution (and compensation for such legal services) is subject to the approval of the attorney general (as may be required by R.S. 42:261, 42:262, 42:263 and/or 42:264).

**Reason For Improvement:**

To obtain ratification or approval for expenditures/compensation for legal services, and to be in compliance with R.S. 42:261, 42:262, 42:263 and/or 42:264 (as such laws may apply).

Recommendation:

We suggest that GDSD contact the attorney general for a ruling on such matter, or for approval of the proposed resolution and related compensation for legal services.

Internal Control

Finding 03-2            Bank Reconciliation Detail

Condition:

GDSD uses an automated process included in its Quickbooks accounting software for preparing the monthly bank reconciliations. At the conclusion of the reconciliation process you may print the reconciliation in summary form, or in detail, which generates a detail listing of the reconciling items (deposits in transit and/or checks outstanding). We noted several instances where the reconciling item detail listing was not generated along with the bank reconciliation.

Reason For Improvement

A detail listing of reconciling items is necessary in order to maintain a complete and accurate audit trail, and to facilitate proper and periodic review of the monthly bank reconciliations.

Recommendation:

We suggest that the detail reconciliation (rather than the summary reconciliation) be printed in order to provide a detail listing of the reconciling items.

This letter is intended solely for the use of management of GDSD and the Legislative Auditor, State of Louisiana. However, under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

*Redelatore & Co., LLP*

May 19, 2004

**PEDELAHORE & CO., LLP**  
Certified Public Accountants

**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 the Board of Commissioners  
Garden District's Security District  
New Orleans, Louisiana

We have audited the general purpose financial statements of Garden District's Security District (GDSD) as of and for the year ended December 31, 2003, and have issued our report thereon dated May 19, 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.

**Compliance**

As part of obtaining reasonable assurance about whether GDSD's general purpose 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted one immaterial instance of non-compliance that we have reported to management of GDSD, in a separate letter dated May 19, 2004.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered GDSD's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal

control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose 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 one matter involving the internal control over financial reporting that we have reported to management of GDSD, in a separate letter dated May 19, 2004.

This report is intended solely for the information and use of management of GDSD and the Legislative Auditor for the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Pedellone & Co., LLP*

May 19, 2004