



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

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

July 10, 2009

Federal Audit Clearinghouse  
1201 East 10<sup>th</sup> Street  
Jeffersonville, IN 47132

Dear Sir/Madame:

Pursuant to Revisions to OMB Circular A-133 regarding "Streamlined Submission of Reporting Package to the Federal Audit Clearinghouse (FAC)", please find enclosed one (1) copy of the Single Audit reporting package of the City of New Orleans for the year ended December 31, 2008 consisting of the following documents:

- Single Audit Report;
- Comprehensive Annual Financial Report (as audited by other auditors);
- Data Collection Form for Reporting on Audits of States, Local Governments and Non-Profit Organizations;
- Summary Schedule of Prior Audit Findings; and
- Management's Corrective Action Plan for Audit Findings.

Should you have any questions, please don't hesitate to contact me.

Sincerely yours,

*Michael B. Bruno*

Michael B. Bruno, CPA  
Managing Partner

cc: Ms. Julie Schwam Harris  
Director, Federal and State Programs

Mr. Calvin J. Aguillard  
Council Fiscal Officer

Mr. Reginald Zeno  
Director of Finance

**CITY OF NEW ORLEANS, LOUISIANA**

**Basic Financial Statements**

**December 31, 2008**

**(With Independent Auditors' Report Thereon)**



**Postlethwaite  
& Netterville**

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**CITY OF NEW ORLEANS, LOUISIANA**

**Basic Financial Statements**

**December 31, 2008**

**(With Independent Auditors' Report Thereon)**

# CITY OF NEW ORLEANS, LOUISIANA

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## **Independent Auditors' Report**

The Honorable Mayor and Members  
City Council of the City of New Orleans, Louisiana:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of New Orleans, Louisiana (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, and the Canal Street Development Corporation, which represent 9% and 26% respectively, of the assets and revenues of the aggregate discretely presented component units; the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, and the Employees' Retirement System of the City of New Orleans, which represent 83% of the assets and 34% of the additions and revenues of the aggregate remaining fund information; and the Board of Liquidation, City Debt, which is a major fund and 14% and 9% of assets and revenues of the governmental activities, respectively. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the, the New Orleans Tourism Marketing Corporation, the Orleans Parish Communication District, the Audubon Commission, the French Market Corporation, the Upper Pontalba Building Restoration Corporation, the Canal Street Development Corporation, the Firefighters' Pension and Relief Fund of the City of New Orleans (old and new systems), the Police Pension Fund of the City of New Orleans, the Employees' Retirement System of the City of New Orleans, and the Board of Liquidation, City Debt, are based on the reports of the other auditors.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; 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 and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have issued our report dated June 30, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis, budgetary comparison schedule, and schedules of funding progress are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*PostKutwaite & Nettelle*

Metairie, Louisiana  
June 30, 2009



## CITY OF NEW ORLEANS

### Management's Discussion and Analysis

December 31, 2008

#### Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) of the City of New Orleans, Louisiana's (the City), financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the City's financial statements and the notes to the financial statements. The reader should keep in mind that many of the variances reported in the City's financial statements are a result of the City being struck by Hurricane Katrina. On August 29, 2005, Hurricane Katrina struck the United States' Gulf Coast and caused destruction across the City of New Orleans and the States of Louisiana, Mississippi, and Alabama. Hurricane Katrina's tidal surges and the resulting levee breaches left eighty percent of the City under water. Ninety percent of the City's residents left under mandatory evacuation orders. The City suffered losses to buildings, police cars, fire trucks, parks and other City owned properties and equipment. Hurricane Katrina also devastated the City's economy, primarily the tourism and convention industries, and negatively impacted tax collections. Grants from federal and state governments and a Community Disaster Loan (CDL) from the Federal government enabled the City to continue to serve returning citizens. In 2008 the City's rebuilding programs were well underway with more than \$20 billion of construction projects that are under construction or in final design. Tourism was expanding and the repopulation of citizens positively impacted City revenues.

#### Financial Highlights

- The City's net assets balance on the government-wide basis was a deficit of \$12.1 million at December 31, 2008.
- The Government-wide Statement of Activities reported a decrease in net assets of \$86.4 million.
- 2008 General Fund tax revenues increased by \$7.7 million compared to 2007.
- The General Fund reported an excess of expenses over revenues and other financing sources of \$36.6 million for a total ending fund balance at December 31, 2008 of \$61.0 million. The General Fund's undesignated fund balance at December 31, 2008 is \$36.4 million.
- Total Governmental Funds reported an excess of expenses over revenues and other financing sources (deficiency) of \$154.5 million.
- Total cash and investments of Governmental Funds amounted to \$379.4 million at December 31, 2008, an increase of \$25.3 million over the beginning of the year total.
- Total bonded debt amounted to \$696.6 million, a decrease of \$21.2 million over the beginning of the year total. The State of Louisiana authorized the City to borrow through the Gulf Opportunity Zone Program \$52.2 million to defray the cost of debt service in the General Fund. \$12.3 million was used in 2008 to pay part of the City's debt service.

## CITY OF NEW ORLEANS

### Management's Discussion and Analysis

December 31, 2008

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide greater detail of data presented in the basic financial statements.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the year ended December 31, 2008. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 (e.g. earned but unused leave for vacations).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and human services, culture and recreation, urban development and housing and economic development. All of the business-type activities of the City are undertaken through component units, which are presented separately.

**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. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as government activities in the government-wide financial statement. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources. Such information may be useful in evaluating government's financing requirements.

Because the focus of governmental fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar

## CITY OF NEW ORLEANS

### Management's Discussion and Analysis

December 31, 2008

information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 76 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for its seven major funds: the General Fund, the Department of Housing and Urban Development (HUD) grant fund, the Federal UDAG fund, the Federal Emergency Management Agency (FEMA) fund, the debt service fund, the capital projects fund and the Community Disaster Loan (CDL) Fund. Data from the other governmental funds are combined under the heading, "Nonmajor Governmental Funds".

**Proprietary Funds.** The City does not directly maintain proprietary funds. Proprietary activities are included within component units of the City.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**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.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information to demonstrate legal budgetary compliance for each major fund for which an annual budget is adopted and to provide information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

**CITY OF NEW ORLEANS**  
Management's Discussion and Analysis  
December 31, 2008

**Net Assets**

December 31, 2008 and 2007

(In thousands)

	<b>Governmental Activities</b>	
	<b>2008</b>	<b>2007</b>
Current and other assets	\$ 503,162	589,884
Capital assets	1,249,860	1,220,588
Total assets	1,753,022	1,810,472
Long-term liabilities	1,581,255	1,518,219
Other liabilities	183,129	217,995
Total liabilities	1,764,384	1,736,214
Net assets:		
Invested of capital assets, net of related debt	641,132	645,610
Restricted	92,584	97,506
Unrestricted (deficit)	(745,078)	(668,858)
Total net assets	\$ (11,362)	74,258

**Government-wide Financial Analysis**

As noted above, net assets may serve over time as a useful indicator of a government's financial position. The City's liabilities exceeded assets by \$12.1 million at December 31, 2008.

The City's Statement of Net Assets reflects its investment in capital assets, land, construction-in-progress, infrastructure, buildings, and equipment, less any related debt used to acquire those assets that is still outstanding, in the amount of \$641.1 million at December 31, 2008. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided for by other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Debt service funds have accumulated \$66.9 million at December 31, 2008 to provide for the servicing of annual interest and principal payments on bonds and are classified in restricted net assets. The unrestricted deficit net assets in the amount of \$745.8 million is due to the City's recording of long-term obligations including claims and judgments, liabilities, accrued annual and sick leave. The unrestricted deficit increased by \$80.1 million, which is primarily due to the change in net assets described below.

**CITY OF NEW ORLEANS**

Management's Discussion and Analysis

December 31, 2008

**Governmental Activities**

Governmental activities decreased the City's net assets by \$86.4 million. Total revenue decreased overall by \$13.2 million or 2.0% from \$653.8 million in 2007 to \$640.6 million in 2008. Operating grants and contributions decreased by \$15.8 million and capital grants and contributions decreased by \$31.9 million compared to 2007. Property tax collections increased from \$142.5 million in 2007 to \$152.7 million in 2008, an increase of \$10.2 million or 7.2%. Real estate property taxes were assessed and the majority collected in the beginning of the fiscal year. Sales tax collections increased by \$3.5 million or 2.6%.

Total expenses were \$727.0 million in 2008, an increase of \$8.6 million, or 1.2%, compared to \$718.4 million in 2007. General government expense increased \$1.6 million or 0.8% from \$203.6 million in 2007 to \$205.3 million in 2008. Public safety expense decreased \$47.7 million or 18.9% from \$252.4 million in 2007 to \$204.7 million in 2008. Public works expense decreased \$7.7 million from \$143.2 million in 2007 to \$135.5 million in 2008 due primarily to ongoing rebuilding efforts. Finally, urban development and housing expense increased \$28.4 million or 134.0% from \$21.1 million in 2007 to \$49.5 million in 2008 as more citizens returned.

A comparison of 2007 to 2008 is as follows (amounts are reported in thousands):

	2008	2007
Revenues:		
Program revenues:		
Charges for services	\$ 120,706	91,827
Operating grants and contributions	118,295	134,097
Capital grants and contributions	20,353	52,244
General revenues:		
Property taxes	152,690	142,480
Sales taxes	137,581	134,114
Other taxes	42,191	44,324
Investment earnings	18,251	19,580
Insurance proceeds	5,866	5,257
Miscellaneous	49,320	29,890
Loss on disposal of assets	(24,651)	—
Total revenues	640,602	653,813
Expenses:		
General government	205,260	203,620
Public safety	204,749	252,474
Public works	135,507	143,211
Health and human services	19,973	18,438
Culture and recreation	21,710	12,600
Urban development and housing	49,507	21,157
Economic development	17,102	6,606
Interest and fiscal changes	73,152	60,267
Total expenses	726,960	718,373
Decrease in net assets	(86,358)	(64,560)
Net assets, beginning of year as restated	74,996	139,556
Net assets, ending	\$ (11,362)	74,996

**CITY OF NEW ORLEANS**  
Management's Discussion and Analysis  
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**Financial Analysis of the Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2008, the City's governmental funds reported a combined ending fund balance of \$299.0 million, a decrease of \$154.5 million when compared to the prior year. Unreserved-undesignated fund balance, as of December 31, 2008, was \$41.2 million and is available for spending at the government's discretion. The unreserved-designated fund balance in the amount of \$64.7 million indicates that it is not available for new spending because it has already been designated for expenditure by the City in future years. The reserved fund balance in the amount of \$193.1 million is primarily reserved to pay debt service (\$66.9 million), for grantee loans (\$987,000), and to liquidate contracts and purchase orders of the prior period (\$125.2 million).

**General Fund**

The General Fund is the chief operating fund of the City. At December 31, 2008, total fund balance was \$61.0 million. The City's General Fund decreased by \$36.6 million in 2008. Key factors relative to this change are as follows:

- Expenditures increased in 2008 to \$462.5 million compared to \$425.9 in 2007, which represents an 8.6% increase. This \$36.6 million increase is due largely to increased general government, public safety expenditures and the rebuilding effort.
- Other financing sources totaled \$24.7 million in 2008 representing a \$7.2 million or a 22.6% decrease in comparison to 2007. The City's General Fund received a \$12.3 million debt service assistance loan from the State. CDL proceeds were recorded in a separate CDL Fund in 2006, 2007 and 2008.
- Intergovernmental revenues decreased by \$7.5 million or 27.0% to \$20.1 million.
- Total Revenues and Other Financing Sources for the General Fund increased by \$4.6 million or 1.1% compared to 2007.
- Charges for services increased by \$9.0 million or 25.7% compared to 2007.
- Taxes increased by \$7.7 million or 3.3% as compared to 2007. This increase is primarily due to the increased collections of sales, property, utility, and gaming taxes during the year.

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**December 31, 2008**

The accompanying table shows the amount (in thousands) of general fund revenues by source for 2008 and 2007.

Revenues and Other Financing Sources	2008 Actual	% of Total	Increase (Decrease) Over 2007	2007 Actual	% of Total
Taxes	\$ 239,207	56.17%	7,678	\$ 231,529	54.96%
Licenses and permits	60,335	14.17	4,845	55,490	13.17
Intergovernmental	20,126	4.73	(7,458)	27,584	6.55
Charges for services	44,105	10.36	9,025	35,080	8.33
Fines and forfeits	16,300	3.83	4,534	11,766	2.79
Interest income	9,488	2.23	(4,461)	13,949	3.31
Contributions, gifts, and donations	851	0.20	293	558	0.13
Miscellaneous	10,733	2.52	(2,667)	13,400	3.18
Other financing sources: (uses) net	24,723	5.81	(7,202)	31,925	7.58
	<u>\$ 425,868</u>	<u>100.0%</u>	<u>4,587</u>	<u>\$ 421,281</u>	<u>100.0%</u>

The accompanying table shows the amount (in thousands) of general fund expenditures by source for 2008 and 2007.

Expenditures	2008 Actual	% of Total	Increase (Decrease) Over 2007	2007 Actual	% of Total
General Government	\$ 146,786	31.74%	143,704	\$ 231,529	61.68%
Public Safety	165,685	35.83	154,205	55,490	14.78
Public Works	71,427	15.44	61,610	27,584	7.35
Health and Human Services	13,510	2.92	10,714	35,080	9.34
Other	17,385	3.76	12,130	11,766	3.13
Debt Service	47,680	10.31	43,552	13,949	3.72
	<u>\$ 462,473</u>	<u>100.0%</u>	<u>425,915</u>	<u>\$ 375,398</u>	<u>100.0%</u>

**HUD Fund**

This special revenue fund is used to account for funding from the Department of Housing and Urban Development (HUD). Some of the major initiatives are Community Development Block Grants (CDBG), HOME Investment Partnership Act Program (HOME), Emergency Shelter Grant (ESG) Program, and Housing Opportunities for Persons with HIV/AIDS (HOPWA). Revenues decreased \$1.0 million from \$23.1 million in 2007 to \$22.1 million in 2008, and expenditures decreased \$0.8 million from \$23.2 million in 2007 to \$22.4 million in 2008.

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Management's Discussion and Analysis  
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**Federal UDAG Fund**

The Federal UDAG special revenue fund accounts for grants received from the HUD for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Expenditures increased \$1.4 million from \$2.1 million in 2007 and \$3.5 million in 2008. There were no revenues in 2008 compared to \$14.5 million in 2007.

**FEMA Fund**

The FEMA Fund is a major fund, which primarily accounts for grants received as a result of Hurricanes Katrina, Rita and Gustav from the Federal government. FEMA, as authorized by the Stafford Act, assists individuals, as well as, state and local governments with response to and recovery from disasters. The FEMA grants are reimbursement basis grants where expenditures and related revenues have been accrued. The deficit in the FEMA fund at December 31, 2008 of \$23.5 million, results from revenue which has been deferred and will be collected by the City in 2009. Revenue amounted to \$66.1 million in 2008 while expenditures totaled \$73.2 million.

**Community Disaster Loan Fund**

The Community Disaster Loan fund (CDL fund) accounted for \$34.4 of disaster loan proceeds, an increase of \$1.7 million, all of which was used to assist in paying public safety expenses in 2008.

**Debt Service Funds**

The Debt Service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. Total fund balance for the Debt Service Fund was \$66.9 million at December 31, 2008, which was a \$6.4 million decrease compared to the prior year balance of \$73.3 million.

**Capital Project Funds**

The Capital Projects fund is used to account for all resources and expenditures in connection with the acquisition of capital facilities and other repair and maintenance projects, other than those accounted for in the component units. Expenditures for capital projects in 2008 totaled \$126.6 million, an increase of \$64.5 million compared to 2007. This increase is due to the resumption of the construction of projects on hold after Hurricane Katrina and new projects.

**General Fund Budgetary Highlights**

Variances between the General Fund's amended budget and the actual revenues were caused generally by the return of many citizens trying to rebuild, which caused an increase in revenues. The variance between the General Fund's amended budget and the actual expenditures were due to the increase in population and the need to provide additional City services for the increased population.

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Management's Discussion and Analysis  
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2008 Revenues	2008		Variance Favorable (Unfavorable)
	Budget	Actual	
Taxes	\$ 243,362	239,207	(4,155)
Licenses and Permits	48,005	60,335	12,330
Intergovernmental	10,024	20,126	10,102
Charges for Services	41,940	44,105	2,165
Fines and Forfeits	25,095	16,300	(8,795)
Interest Income	15,176	9,488	(5,688)
Contributions gifts and Donations	1,557	851	(706)
Miscellaneous	8,604	10,733	2,129
Total Revenues	<u>393,763</u>	<u>401,145</u>	<u>7,382</u>
<b>Expenditures</b>	<u>490,328</u>	<u>462,473</u>	<u>27,855</u>
Other Financing Sources (Uses)	<u>96,565</u>	<u>24,723</u>	<u>(71,842)</u>
Net Change in Assets: \$	<u><u>-</u></u>	<u><u>(36,605)</u></u>	<u><u>(92,315)</u></u>

**Capital Assets**

Capital assets at December 31, 2008 and 2007 are as follows (net of depreciation):

	2008	2007
Land	\$ 99,663	103,522
Construction in progress	148,116	96,309
Buildings, improvements, and equipment	130,802	95,166
Other	17,810	18,854
Infrastructure assets	853,469	900,898
	<u>\$ 1,249,860</u>	<u>1,214,749</u>

Hurricane Katrina caused physical damage from the flooding to the City's capital assets. As a result, certain assets were destroyed and other assets, specifically buildings, require restoration efforts to restore their service utility. Some assets have been repaired, resulting in a increase in the category buildings, improvements, and equipment.

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Management's Discussion and Analysis  
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**Debt Administration**

Outstanding general obligation bonds at December 31, 2008 totaled \$524.0 million, all of which are considered to be net, direct-tax supported debt. There are no special assessment bonds outstanding.

During 2008, the City issued the following bonds or certificates of indebtedness:

- \$12.3 million of State of Louisiana Go Zone Notes were obtained to pay 2008 general obligation bond debt service payments.
- \$34.4 million of CDL proceeds, used to assist in paying public safety expenses in 2008, were received.

**Outstanding Debt**

	2008	2007
General obligation bonds	\$ 523,955	538,514
Accreted GO 1991 refunding bonds	126,553	130,742
Limited tax bonds	28,480	30,045
Revenue bonds	144,130	148,740
	823,118	848,041
Certificates of indebtedness	93,415	110,165
Notes payable (CDL loan)	204,731	170,358
Capital leases	27,492	28,715
Go Zone Notes	71,428	59,083
Section 108 HUD loans	30,344	32,405
	\$ 1,250,528	1,248,767

The following is a summary of debt transactions:

Balance at January 1, 2008	\$ 1,248,767
New issues	46,718
Payments	(44,957)
Balance at December 31, 2008	\$ 1,250,528

The Louisiana Legislature, in Act 1 of 1994, increased the City's general obligation bond debt limit to an amount equal to the greater of (i) \$500,000,000 or (ii) 35% of total assessed valuation of the City. Under Act No. 1 of the City's debt limit, based on the most recent assessed valuations, is \$992.9 million as of December 31, 2008. At December 31, 2008, the City's legal debt limit for General Obligation Bonds is \$992.9 million. At December 31, 2008, the City's legal debt margin adjusted for outstanding principal of \$524.0 million and past and future accretion of \$200.0 million on the City's outstanding General

## CITY OF NEW ORLEANS

### Management's Discussion and Analysis

December 31, 2008

Obligation Bonds, plus net assets available in the Debt Service Fund of \$36.9 million to service this debt was \$305.9 million.

On May 1, 2007, Moody's upgraded the City's general obligation bond rating to "Baa3" investment grade. Fitch upgraded the City's general obligation bond rating "BBB", investment grade in April 2009, and Standard & Poor's Corporation upgraded the City's general obligation bond rating "BBB", investment grade in March of 2009.

#### **Economic Factors and Next Year's Budgets and Rates**

The City's financial position improved in 2008, as a result the budget for expenditures were increased to \$493.1 million. The 2008 revenues increase was a result of the increase in the City's population which caused an increase in tax collections and charges for services. The expenditures budget was also increased to provide services to the increased population and continue the rebuilding process.

The following table presents an adopted budget comparison for 2009, 2008, and 2007 (amounts in thousands):

	2009	2008	2007
Revenues and other financing sources	\$ 493,100	\$ 474,324	\$ 455,705
Expenditures	493,100	474,324	455,705

In the first quarter of 2006, the City drew the remaining balance of \$58.6 million from the original \$120 million CDL. In 2006, the City also received authorization for a second CDL from FEMA for \$120 million. The City drew \$17.6 million in December of 2006, \$32.7 million in 2007, \$34.4 million in the 2008 and \$25.3 in the first half of 2009. The City plans to draw down the remaining balance during 2010.

In 2006, the State of Louisiana authorized the City to borrow through the Gulf Opportunity Zone Program \$52.2 million to defray the cost of debt service in the General Fund for the years 2006 through 2009. Through December 2008, the General Fund has borrowed \$71.4 million under this program.

New Orleans is world-renowned as a leader in hosting large-scale events. The City's Mardi Gras celebration, the Jazz & Heritage Festival, Bayou Classic, and summer Essence Festival are annual attractions drawing millions of visitors each year, and are major parts of the City's tourism industry.

In addition to the events mentioned above, the 2008 NFL New Orleans Saints Football team played to sold out season ticket holders and 2008-09 NBA Hornets played to record breaking crowds. The City hosted the Bowl Championship Series national college football championship game. The Arena Football Championship game was played at the renovated New Orleans Arena and the City also hosted the National Basketball Association All-Star Game in February 2008. The Super Dome has undergone a

## **CITY OF NEW ORLEANS**

### **Management's Discussion and Analysis**

December 31, 2008

major renovations to add and maintain its world renown venue. The City has been selected by the NFL to host the 2013 Super Bowl game.

In 2009, the City will also host The National Association of Black Accountants, Inc. and Microsoft Corporation's World Partners Conference at the Ernest N. Morial Convention Center.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information may be addressed to the Office of the Director of Finance, City of New Orleans, 1300 Perdido Street, Room 3E06, New Orleans, Louisiana 70112.

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**CITY OF NEW ORLEANS, LOUISIANA**

Statement of Net Assets

December 31, 2008

(Amounts in thousands)

<b>Assets</b>	<b>Primary Governmental Governmental activities</b>	<b>Component units</b>
Cash and cash equivalents	\$ 77,429	67,125
Investments	302,001	85,453
Receivables (net of allowance for uncollectibles):		
Taxes	44,626	10,323
Accounts	6,072	21,614
Interest	308	337
Grantee loans	5,657	—
Other	—	180
Due from component units	3,573	—
Due from other governments	59,044	15,180
Other assets	4,452	44,899
Restricted cash and investments	—	268,520
Capital assets (net of accumulated depreciation)	1,249,860	2,086,018
Total assets	1,753,022	2,599,649
<b>Liabilities</b>		
Accounts payable	131,626	49,479
Retainages payable	4,027	2,763
Accrued expenses	272	40,605
Taxes Payable	16,143	—
Accrued interest payable	18,435	4,278
Advances from component units	361	—
Due to component units	2,023	—
Due to other governments	4,682	31,276
Other postretirement benefits liability	—	5,909
Deferred revenues	5,560	7
Liabilities payable from restricted assets	—	13,453
Non-current liabilities due within one year	108,833	56,060
Non-current liabilities due in more than one year	1,472,422	685,132
Total liabilities	1,764,384	888,962
<b>Net Assets</b>		
Invested in capital assets, net of related debt	641,132	1,641,652
Restricted for debt service	77,379	51,690
Restricted for capital improvement (deficit)	15,205	(60,032)
Restricted for operating reserve	—	15,014
Unrestricted (deficit)	(745,078)	62,363
Total net assets	\$ (11,362)	1,710,687

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Activities

Year ended December 31, 2008

(Amounts in thousands)

Functions/Programs	Program revenues			Net (expense) revenue and changes in net assets	
	Expenses	Charges for services	Operating grants and contributions	Primary government activities	Component units
<b>Primary government:</b>					
Governmental activities:					
General government	\$ 205,260	65,812	41,402	(96,331)	—
Public safety	204,749	29,321	6,166	(169,233)	—
Public works	135,507	18,075	4,615	(94,420)	—
Health and human services	19,973	6,690	—	(13,209)	—
Culture and recreation	21,710	638	3,417	(17,517)	—
Urban development and housing	49,507	—	48,409	(1,098)	—
Economic development	17,102	170	—	(7,205)	—
Interest and fiscal charges	73,152	—	4,559	(68,593)	—
Total primary government	\$ 726,960	120,706	118,295	(467,606)	—
			20,353		
<b>Component units:</b>					
Audubon Commission	\$ 54,586	30,317	—	—	(13,456)
Louis Armstrong New Orleans International Airport	90,928	62,097	—	—	(24,748)
Sewerage and Water Board	172,894	106,463	(4)	—	(96,367)
Other nonmajor component units	31,964	12,502	3,878	—	(15,584)
Total component units	\$ 350,372	211,379	3,874	—	(150,155)
<b>General revenues:</b>					
Taxes:					
Property taxes				152,690	55,383
Sales taxes				137,581	—
Utility taxes				10,059	—
Parking taxes				2,490	—
Franchise fees				29,313	—
Beverage taxes				329	—
Unrestricted investment earnings				18,251	7,108
Passenger facility charges				—	16,299
Insurance proceeds				5,866	—
Miscellaneous				49,320	16,295
Loss on disposal of assets				(24,651)	—
Total general revenues				381,248	93,085
Change in net assets				(86,358)	(95,070)
Net assets — beginning of year				71,529	1,765,757
Prior period adjustments (note 14)				3,467	—
Net assets — beginning of year, as adjusted				74,996	1,765,757
Net assets — end of year				(11,362)	1,710,687

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Balance Sheet — Governmental Funds

Year ended December 31, 2008

(Amounts in thousands)

	General	HUD	Federal UDAG	FEMA	CDL	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>									
Cash and cash equivalents	\$ 26,828	2,711	21,061	8	—	119	12,196	14,506	77,429
Investments	25,917	—	—	—	—	66,911	186,055	23,118	302,001
Receivables, net:									
Interest	308	—	—	—	—	—	—	—	308
Sales taxes	12,122	—	—	—	—	—	—	—	12,122
Property taxes	13,641	—	—	—	—	10,349	—	1,763	25,753
Accounts	4,443	571	—	—	—	—	7	1,051	6,072
Grantee loans	—	—	987	—	—	—	—	4,670	5,657
Franchise taxes	6,751	—	—	—	—	—	—	—	6,751
Due from other funds	41,002	—	1,814	—	—	—	—	2,084	44,900
Due from other governments	117	5,964	—	22,516	—	—	21,110	9,337	59,044
Due from component unit	813	—	—	—	—	—	2,760	—	3,573
Advances to other funds	252	—	—	—	—	—	—	—	252
Other assets	—	—	—	—	—	—	—	17	17
<b>Total assets</b>	<b>\$ 132,194</b>	<b>9,246</b>	<b>23,862</b>	<b>22,524</b>	<b>—</b>	<b>77,379</b>	<b>222,128</b>	<b>56,546</b>	<b>543,879</b>
<b>Liabilities</b>									
Accounts payable	\$ 47,314	6,619	184	10,786	—	—	57,951	8,772	131,626
Retainage payable	—	—	—	—	—	—	4,027	—	4,027
Accrued expenses	—	54	—	—	—	133	—	84	272
Due to other funds	1,877	—	1,253	36,673	—	—	465	14,632	44,900
Due to other governments	3,360	—	—	—	—	—	649	675	4,682
Due to component unit	2,000	—	—	—	—	—	23	—	2,023
Advances from other funds	—	—	—	—	—	—	—	252	252
Advances from component units	—	—	—	—	—	—	361	—	361
Deferred revenues	16,628	2,840	—	8,577	—	10,349	15,205	2,371	55,970
<b>Total liabilities</b>	<b>71,179</b>	<b>9,513</b>	<b>1,437</b>	<b>46,037</b>	<b>—</b>	<b>10,482</b>	<b>78,681</b>	<b>26,784</b>	<b>244,113</b>
<b>Fund Balances</b>									
Fund balances:									
Reserved	7,229	—	22,425	—	—	66,897	95,357	1,218	193,126
Unreserved:									
Designated for subsequent year	17,016	(267)	—	(23,513)	—	—	48,090	—	65,106
Undesignated	36,770	(267)	22,425	(23,513)	—	66,897	143,447	28,544	41,534
<b>Total fund balances</b>	<b>61,015</b>	<b>(267)</b>	<b>22,425</b>	<b>(23,513)</b>	<b>—</b>	<b>66,897</b>	<b>143,447</b>	<b>29,762</b>	<b>299,766</b>
<b>Total liabilities and fund balances</b>	<b>\$ 132,194</b>	<b>9,246</b>	<b>23,862</b>	<b>22,524</b>	<b>—</b>	<b>77,379</b>	<b>222,128</b>	<b>56,546</b>	<b>543,879</b>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Reconciliation of Balance Sheet — Governmental Funds to the  
Statement of Net Assets

December 31, 2008

(Amounts in thousands)

Total fund balances – governmental funds	\$	299,766
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		1,249,860
Certain receivables are not available to pay for the current period's expenditures and, are therefore, deferred in the funds		50,410
Bond issue costs are capitalized and amortized over the life of the bonds in the government-wide statement of net assets		4,435
Interest expense is accrued at year-end in the government-wide financial statements, but is recorded only if due and payable on the governmental fund financial statements		(18,435)
Taxes Payable		(16,143)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term liabilities consist of:		
Bonds payable		(830,954)
Certificates of indebtedness		(93,415)
Loans payable		(306,502)
Capital leases payable		(27,492)
Annual and sick leave		(47,514)
Claims payable		(180,987)
Net pension obligation		(55,818)
Other long-term liabilities		<u>(38,573)</u>
 Total net assets – governmental activities	\$	<u><u>(11,362)</u></u>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

Year ended December 31, 2008

(Amounts in thousands)

	General	RUD	Federal UDAG	FEMA	CDL	Debt Service	Capital Projects	Nonmajor Governmental	Total Governmental Funds
<b>Revenues:</b>									
Taxes	239,207	—	—	—	—	50,451	—	5,984	295,642
Licenses and permits	60,335	—	—	—	—	—	—	—	60,335
Intergovernmental	20,126	22,110	—	66,097	—	—	26,661	26,935	161,929
Charges for services	44,105	—	—	—	—	—	—	—	44,105
Program income	—	—	—	—	—	—	—	68	68
Fines and forfeits	16,300	—	—	—	—	—	—	932	17,232
Interest income	9,488	—	—	—	—	3,083	—	—	12,571
Contributions, gifts and donations	851	—	—	—	—	—	—	2,261	3,112
Miscellaneous and other	10,733	—	—	—	—	—	222	18,126	29,081
<b>Total revenues</b>	401,145	22,110	—	66,097	—	53,534	26,883	54,504	624,273
<b>Expenditures:</b>									
Current:									
General government	144,397	—	—	36,624	—	430	6,170	22,927	210,548
Public safety	158,456	—	—	4,570	34,373	—	61	2,970	200,430
Public works	71,427	368	—	3,951	—	—	88	—	75,834
Health and human services	13,510	137	—	1,295	—	—	15	5,016	19,975
Culture and recreation	17,385	—	—	19	—	—	868	1,806	20,078
Urban development and housing	—	21,872	742	26,788	—	—	—	105	49,507
Economic development and assistance	—	—	1,701	—	—	—	—	15,401	17,102
Capital outlays	9,618	—	—	—	—	—	119,375	—	128,993
Debt service:									
Principal	25,318	—	486	—	—	16,124	—	240	42,168
Interest and fiscal charges	22,362	—	571	—	—	43,350	—	308	66,591
<b>Total expenditures</b>	462,473	22,377	3,500	73,247	34,373	59,904	126,577	48,773	831,224
<b>(Deficiency) excess of revenue over expenditures</b>	(61,328)	(267)	(3,500)	(7,150)	(34,373)	(6,370)	(99,694)	5,731	(206,951)
<b>Other financing sources (uses):</b>									
Transfers in	13,938	—	—	—	—	—	—	1,387	15,325
Transfers out	(1,387)	—	—	—	—	—	—	(13,938)	(15,325)
Issuance of notes payable	—	—	—	—	34,373	—	—	—	34,373
Debt service assistance loan	12,345	—	—	—	—	—	—	—	12,345
Insurance proceeds	(173)	—	—	—	—	—	5,866	—	5,693
Other, net	24,723	—	—	—	34,373	—	5,866	(12,551)	52,411
<b>Total other financing sources (uses)</b>	(36,605)	(267)	(3,500)	(7,150)	(6,370)	(6,370)	(93,828)	(6,820)	(154,540)
<b>Net change in fund balances</b>	95,194	—	25,187	(17,356)	—	73,267	243,804	36,582	456,678
<b>Fund balances – beginning of year</b>	2,426	—	738	993	—	—	(6,529)	—	(2,372)
<b>Prior period adjustments</b>	97,620	—	25,925	(16,363)	—	73,267	257,275	36,582	454,306
<b>Fund balances – beginning of year, as adjusted</b>	61,015	(267)	22,425	(23,513)	—	66,897	143,447	29,762	299,766
<b>Fund balances – end of year</b>									

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statement of Activities

Year ended December 31, 2008

(Amounts in thousands)

Net change in fund balances – total governmental funds	\$	(154,540)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets are allocated over their estimated useful lives and are reported as depreciation expense. This represents the amount that depreciation and loss on disposals exceeded capital outlays in the current period.		29,272
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This represents the change in deferred revenue.		33,295
The increase in taxes payable related to current year refunds due to taxpayers does not consume current resources in the governmental funds, but reduces tax revenue in the statement of activities.		(3,490)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, but has no effect net assets.		(46,718)
The repayment of long-term debt consumes the current financial resources of governmental funds, but has no effect on net assets.		42,168
Amortization of premium, discount, and loss on refunding of \$5,087 (net) was recorded in the current period.		5,087
Amortization of bond costs \$523 was recorded in the current period.		(523)
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. This represents the change in interest payable from the prior to the current period.		(5,643)
Compensated absences are recorded in the governmental funds when paid, but are recorded in the statement of activities when earned. This represents the amount compensated absences earned exceeded amounts paid in the current period.		(3,544)
Legal claims and judgments are recorded in the governmental funds when paid, but are recorded in the statement of activities when incurred. This represents the amount claims paid and changes in estimates to claims exceed new claims incurred in the current period.		47,614
Changes in estimates related to municipal landfill closure costs do not consume current financial resources in the governmental funds, but are expensed in the statement of activities.		6,272
Other post retirement benefits contributions are recorded as expenditures when paid by the governmental funds. This is the amount that the annual other post retirement benefit costs exceeded the other post retirement benefit contributions.		(13,842)
Pension and contributions are recorded as expenditures when paid by the governmental funds. Pension expense is recorded based on the annual pension cost in the statement of activities. This is the amount that the annual pension cost exceeded pension contributions.		(21,766)
Change in net assets of governmental activities	\$	<u>(86,358)</u>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Statement of Fiduciary Net Assets

December 31, 2008

(Amounts in thousands)

<b>Assets</b>	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
Cash	\$ 5,794	3,847
Investments	480,455	22,617
Accounts	—	5,956
Accrued interest	8,071	—
Contribution	458	—
Other	3,249	—
Due from other governments	—	11,417
Capital assets, net of accumulated depreciation	5,353	—
<b>Total assets</b>	<b>503,380</b>	<b>43,837</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable	771	53
Other payables and accruals	3,700	43,784
Notes payable	39,010	—
<b>Total liabilities</b>	<b>43,481</b>	<b>43,837</b>
<b>Net assets:</b>		
Net assets held in trust for pension benefits	\$ 459,899	—

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**  
**Statement of Changes in Fiduciary Net Assets**  
**Year ended December 31, 2008**  
(Amounts in thousands)

	<u>Pension Trust Funds</u>
Additions:	
Contributions:	
Employer	\$ 14,691
Members	4,559
Fire insurance rebate	1,556
Other	778
Total contributions	<u>21,584</u>
Investment income:	
Net appreciation in fair value of investments	441
Interest and dividends	11,214
Other investment income	1,488
Total investment income	<u>13,143</u>
Investment expense	<u>(6,809)</u>
Net investment income	<u>6,334</u>
Total additions	<u>27,918</u>
Deductions:	
Pension benefits	66,637
Refunds of member contributions	966
Death benefits	102
Administrative expenses	1,696
DROP withdrawal	2,950
PLOP withdrawal	1,859
Net depreciation in fair value of investments	200,581
Transfers to other plans	817
Total deductions	<u>275,608</u>
Decrease in net assets	<u>(247,690)</u>
Net assets held in trust for pension benefits – beginning of year	<u>707,589</u>
Net assets held in trust for pension benefits – end of year	<u>\$ 459,899</u>

See accompanying notes to basic financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Combining Statement of Net Assets

Component Units

December 31, 2008

(Amounts in thousands)

Assets	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Current assets:					
Cash and cash equivalents	\$ 1,135	3,255	34,588	28,147	67,125
Investments	—	79,111	—	6,342	85,453
Receivables (net of allowances for uncollectibles):					
Property taxes	—	—	10,323	—	10,323
Accounts	1,013	9,336	7,302	3,963	21,614
Accrued interest	—	2	322	13	337
Other	—	—	—	180	180
Due from other governments	—	1,187	13,240	753	15,180
Inventory of supplies	1,567	117	12,888	—	14,572
Prepaid expenses and deposits	1,507	968	1,546	783	4,804
Other assets	—	—	5,328	15	5,343
Total current assets	<u>5,222</u>	<u>93,976</u>	<u>85,537</u>	<u>40,196</u>	<u>224,931</u>
Restricted cash and investments:					
Customer deposits	—	—	5,390	9,367	14,757
Construction account	—	—	54,207	—	54,207
Current debt service account	—	10,778	9,821	1,968	22,567
Future debt service account	1,496	9,554	22,254	443	33,747
Contingency (renewal and replacement) account	—	2,037	—	756	2,793
Operation and maintenance account	—	8,785	—	629	9,414
Capital improvements	830	48,018	67,782	—	116,630
Health insurance reserve	—	—	5,081	—	5,081
Receivables	—	2,045	—	—	2,045
Other	—	6,326	212	741	7,279
Total restricted assets	<u>2,326</u>	<u>87,543</u>	<u>164,747</u>	<u>13,904</u>	<u>268,520</u>
Capital assets, less accumulated depreciation	<u>143,962</u>	<u>393,233</u>	<u>1,509,805</u>	<u>39,018</u>	<u>2,086,018</u>
Other assets	<u>12,383</u>	<u>5,589</u>	<u>1,698</u>	<u>510</u>	<u>20,180</u>
Total assets	<u>\$ 163,893</u>	<u>580,341</u>	<u>1,761,787</u>	<u>93,628</u>	<u>2,599,649</u>

See accompanying notes to basic financial statements.

(Continued)

**CITY OF NEW ORLEANS, LOUISIANA**

Combining Statement of Net Assets

Component Units

December 31, 2008

(Amounts in thousands)

Liabilities and Net Assets	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Current liabilities (payable from current assets):					
Accounts payable	\$ 5,385	6,271	36,049	1,774	49,479
Retainages payable	—	509	2,254	—	2,763
Other payables and accruals	—	5,346	33,140	2,119	40,605
Due to other governments	—	—	29,170	2,106	31,276
Capital lease payable	—	1,134	—	4	1,138
Other postretirement benefits liability	—	—	5,909	—	5,909
Deferred revenues	—	—	—	7	7
<b>Total current liabilities (payable from current assets)</b>	<b>5,385</b>	<b>13,260</b>	<b>106,522</b>	<b>6,010</b>	<b>131,177</b>
Current liabilities (payable from restricted assets):					
Retainages payable	—	1,136	1,813	—	2,949
Capital projects payable	291	4,712	—	—	5,003
Accrued interest	70	3,168	1,033	7	4,278
Limited tax bonds	2,269	—	—	—	2,269
Bonds payable, current portion	—	13,675	37,282	515	51,472
Revenue bonds	1,181	—	—	—	1,181
Deposits and other	—	—	5,390	111	5,501
<b>Total current liabilities (payable from restricted assets)</b>	<b>3,811</b>	<b>22,691</b>	<b>45,518</b>	<b>633</b>	<b>72,653</b>
<b>Total current liabilities</b>	<b>9,196</b>	<b>35,951</b>	<b>152,040</b>	<b>6,643</b>	<b>203,830</b>
Long-term liabilities:					
Claims payable	—	—	4,873	—	4,873
Other postretirement benefits liability	—	—	9,278	—	9,278
Limited tax bonds (net of current portion)	30,335	—	—	—	30,335
Revenue bonds (net of current portion and unamortized discounts)	3,933	—	220,644	18,763	243,340
Refunding bonds (net of current portion and unamortized loss on advance refunding)	15,088	177,424	—	2,780	195,292
Loans payable	—	46,255	139,417	1,349	187,021
Other	12,615	800	—	1,578	14,993
<b>Total long-term liabilities</b>	<b>61,971</b>	<b>224,479</b>	<b>374,212</b>	<b>24,470</b>	<b>685,132</b>
<b>Total liabilities</b>	<b>71,167</b>	<b>260,430</b>	<b>526,252</b>	<b>31,113</b>	<b>888,962</b>
Net assets:					
Invested in capital assets – net of related debt	91,618	212,864	1,306,085	31,085	1,641,652
Restricted for bond debt service	—	17,164	32,075	2,451	51,690
Restricted for capital improvements	—	41,837	(102,625)	756	(60,032)
Restricted for operating reserve	—	14,385	—	629	15,014
Unrestricted	1,108	33,661	—	27,594	62,363
<b>Total net assets</b>	<b>\$ 92,726</b>	<b>319,911</b>	<b>1,235,535</b>	<b>62,515</b>	<b>1,710,687</b>

See accompanying notes to basic financial statements.

CITY OF NEW ORLEANS, LOUISIANA

Combining Statement of Activities

Component Units

Year ended December 31, 2008

(Amounts in thousands)

	Program revenues		Net (expense) revenue and changes in net assets					
	Charges for services	Operating grants and contributions	Capital grants and contributions	Audubon Commission	Louis Armstrong New Orleans International Airport	Sewerage and Water Board	Nonmajor Component Units	Total
Expenses								
\$	54,586	—	10,813	(13,456)	—	—	—	(13,456)
Component units:								
Audubon Commission	30,317	—	—	—	—	—	—	—
Louis Armstrong New Orleans International Airport	62,097	—	4,083	—	(24,748)	—	—	(24,748)
Sewerage and Water Board	172,894	(4)	(29,932)	—	—	(96,367)	—	(96,367)
Other nonmajor component units	31,964	3,878	—	—	—	—	(15,584)	(15,584)
Total component units	\$ 350,372	3,874	(15,036)	(13,456)	(24,748)	(96,367)	(15,584)	(150,155)
General revenues:								
Interest revenue					2,714			2,714
Property taxes					—	3,546	848	55,383
Passenger facility charges					7,255	42,706	5,422	16,299
Other					3,281	—	—	16,299
Total general revenues					10,536	46,252	11,479	16,295
Changes in net assets					(2,920)	(50,115)	2,165	(55,070)
Net assets — beginning					95,646	1,285,650	60,350	1,765,757
Net assets — ending					\$ 92,726	1,235,535	62,515	1,710,687

See accompanying notes to basic financial statements.

**NOTES TO BASIC FINANCIAL STATEMENTS**

# CITY OF NEW ORLEANS, LOUISIANA

## Notes to Basic Financial Statements

December 31, 2008

### (1) Summary of Significant Accounting Policies

The financial statements of the City of New Orleans, Louisiana (the City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governmental units as prescribed by the Governmental Accounting Standards Board (GASB). The most significant accounting and reporting policies of the City are described in the following notes to financial statements.

The City was incorporated in 1805. The City's system of government was established by its Home Rule Charter, which became effective in 1954 and was amended effective January 1, 1996. The City operates under a Mayor-Council form of government and provides the following types of services as authorized by its charter: public safety, health and human services, public works, water and sewerage, urban development and housing, economic development, culture and recreation, airport, and general government services. Education and welfare are administered by other governmental entities.

#### *Basis of Presentation – Financial Reporting Entity*

The accompanying financial statements include financial statements for the City and certain legally separate organizations in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity* and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement 14*. Organizations are included if the City is financially accountable for them, or the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The City is financially accountable for an organization if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. In addition, an organization that is fiscally dependent on the primary government should be included in its reporting entity.

#### *Component Units*

In conformity with GAAP, the financial statements of component units have been included in the financial reporting entity either as blended component units or discretely presented component units. Each blended and discretely presented component unit has a December 31 year-end. The Municipal Yacht Harbor Management Corporation does not prepare complete financial statements.

Complete financial statements of the following individual discretely presented component units can be obtained from their administrative offices:

Audubon Commission  
1300 Perdido Street, Suite 2E04  
New Orleans, Louisiana, 70112

Louis Armstrong New Orleans International  
Airport  
New Orleans Aviation Board  
P.O. Box 20007  
New Orleans, Louisiana 70141

Orleans Parish Communication District  
301 South Broad Street  
New Orleans, Louisiana 70119

Municipal Court of the City of New Orleans  
727 South Broad Street  
New Orleans, Louisiana 70119

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

Sewerage and Water Board  
625 St. Joseph Street  
New Orleans, Louisiana 70165

Downtown Development District  
1010 Common Street, Suite 100  
New Orleans, Louisiana 70112

New Orleans Tourism Marketing Corporation  
One Canal Place  
Suite 2020  
New Orleans, Louisiana 70130

French Market Corporation  
1008 N. Peters Street, 3 floor  
New Orleans, Louisiana 70116

Upper Pontalba Building Restoration Corporation  
1008 N. Peters Street, 2 Floor  
New Orleans, Louisiana 70116

Canal Street Development Corporation  
1300 Perdido Street, Suite 2E04  
New Orleans, Louisiana 70112

***Blended Component Units***

Blended component units, although legally separate entities, are, in substance, part of the City's operations, as they provide services exclusively or almost exclusively for the City. Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because they are, in substance, part of the government's operations. Blended means the data from these units are combined with data of the primary government.

***Board of Liquidation, City Debt (The Board)*** – The Board is a separate legal entity and is included (blended) in the operations of the debt service fund and governmental activities of the City because it handles all matters relating to the bonded debt of the City.

In addition, the following component units are reported as pension trust funds:

***Employee's Retirement System of the City of New Orleans (NOMERS)*** – NOMERS is a separate legal entity established by City ordinance to provide pension benefits for substantially all City employees, except police officers and fire fighters. The Mayor appoints a voting majority of the members of the NOMERS governing board. NOMERS is presented as a pension trust fund because NOMERS serves the employees of the City. The net assets of NOMERS are held for the sole benefit of the participants and are not available for appropriation.

***Firefighters' Pension and Relief Fund (FPRF)*** – FPRF is a separate legal entity established by City ordinance to provide pension benefits for City firefighters. The Mayor appoints the members of the FPRF governing board. FPRF is presented as a pension trust fund because FPRF serves the employees of the City. The Old System covers firefighters who were employed prior to December 31, 1967; the New System covers firefighters hired since that date. The net assets of FPRF are held for the sole benefit of the participants and are not available for appropriation.

***Police Pension Fund (PPF)*** – PPF is a separate legal entity established by City ordinance to provide pension benefits for City police officers. The Mayor appoints the members of the PPF governing board. PPF is presented as a pension trust fund because PPF serves the employees of the City. The net assets of PPF are held for the sole benefit of the participants and are not available for appropriation.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

***Discretely Presented Component Units***

Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize their legal separateness from the City.

The following are the City's discretely presented component units:

<b>Major Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<b><i>Louis Armstrong New Orleans International Airport (the Airport)</i></b>	Local government corporation established in 1943 by the City to provide for the operation and maintenance of the Airport. The Board consists of nine members appointed by the Mayor of the City with approval of the City Council. The City of Kenner, Louisiana and the Parish of St. Charles, Louisiana each have input as to the selection of one board member. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<b><i>Sewerage and Water Board</i></b>	A local government corporation created by the City through Act 6 of the Louisiana Legislature of 1899 as a special board independent of the City's government to construct, maintain, and operate a water treatment and distribution system and a public sanitary sewerage system for the City. In accordance with Louisiana Revised Statutes (LRS) 33:4096 and 4121, the Board has the authority to establish the water and sewerage rates to charge to its customers. The board is composed of 13 members, including the Mayor of the City, the two Council members-at-Large, and one District Council member selected by the City Council, two members of the Board of Liquidation and seven citizens appointed by the Mayor. The appointed members of the board serve staggered nine-year terms. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

<b>Major Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<i>Audubon Commission (the Commission)</i>	The Commission was created by the Louisiana Legislature to manage and operate its facilities consisting of nine museums and parks dedicated to celebrating the wonders of nature, with goals of fostering education, research, wildlife conservation, family entertainment, and positive economic impact. The Commission has a 24-member board appointed by the Mayor. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<i>Downtown Development District</i>	Local government corporation created by Act 498 of 1974 and amended and reenacted by Act 124 of 1977 of the State of Louisiana Legislature, effective January 1, 1975. The District is a special taxing district designated "the Core Area Development District of the City of New Orleans," later renamed the Downtown Development District of the City of New Orleans, comprising all the territory within prescribed boundaries. The Board of Directors is composed of nine members for governance of the District. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<i>New Orleans Tourism Marketing Corporation</i>	A local government corporation created by the City on January 1, 1990. Its objectives and purposes are to continuously stimulate the hospitality and tourism industry of the City of New Orleans through regional, national, and international advertising and marketing of the City of New Orleans as a tourist and convention site and a vacation destination; to stimulate economic development in the City of New Orleans through the marketing and solicitation of conventions and trade shows throughout the U.S. and the World; and to advance, promote, and maintain tourism and trade in the City of New Orleans through marketing activities directed at the discretionary tourist or traveler through advertising, direct mailing, or other means. A 15-member Board of Directors is appointed in various ways. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2008

<b>Major Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<i>Municipal Yacht Harbor Management Corporation</i>	Local corporation formed by the City to operate the Municipal Yacht Harbor in the manner comparable to that of a private business enterprise; to provide a safe and secure environment for recreational boating; to ensure that the cost associated with providing services to the general public are financed or recovered through user fee and charge; and to place an emphasis on generating a sufficient amount of net operating revenues to be used for maintenance and capital improvement projects. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<i>French Market Corporation</i>	Local government corporation formed January 1, 1972 by the City to provide for the operation and maintenance of the French Market Properties owned by the City of New Orleans. These properties include five buildings and the Farmers Market. The French Market is a nonprofit corporation that is owned by the City and administered by a board of directors consisting of 12 members appointed by the Mayor. The City has financial accountability because it appoints a voting majority of the Corporation and the City can impose its will.
<i>Upper Pontalba Building Restoration Corporation</i>	Local government corporation organized on July 14, 1988 by the City for the purpose of renovating and operating the Upper Pontalba Building. The organization is a nonprofit corporation administered by a board of directors consisting of 7 members that are appointed by the sole stockholder, the Mayor of New Orleans. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

<b>Major Discretely Presented Component Units</b>	<b>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</b>
<i>Canal Street Development Corporation</i>	Nonprofit, public benefit corporation incorporated on August 8, 1989 under the Internal Revenue Code Section 501(c)(3) for the sole and exclusive purpose of stimulating business development in the Central Business District and the adaptive reuse and development of Canal Street for commercial purposes. This objective is currently being met through renovations and the leasing of donated real estate and economic development endeavors downtown. The organization's board of directors is comprised of two Councilmen from the City Council and other board members who are appointed by the Mayor of the City. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.
<i>Orleans Parish Communication District</i>	The Orleans Parish Communication District, comprising Orleans Parish, was created effective July 13, 1982, pursuant to Act No. 155 of the 1982 Regular Session of the Louisiana Legislature. The district was created for the purpose of establishing a local emergency telephone service; to establish a primary emergency telephone number; to provide for the governing body of the District; and to authorize the governing authority of such district to levy an emergency telephone tax. This act was amended by Act No. 1029 in 1999 to provide for the creation of multi-parish communications districts; to provide information relative to the rate of the emergency telephone service charge on landline phones; and to authorize the levy of an emergency telephone service charge on certain wireless communications systems. The City has financial accountability because it appoints a voting majority of the Board and the City can impose its will.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

***Municipal Court of the City of New Orleans***

The Traffic Court consists of four judges appointed, selected, and qualified under Article VII, Section 94 of the Louisiana Constitution, the enabling ordinances enacted by the City Council, and the duly elected successors of such judges, and such other judges who may be created and authorized under the state constitution (1956, § 38-2). The jurisdiction of the Traffic Court shall extend to the trial of offenses against the ordinances of the City regulating traffic upon the public streets of the City and such other jurisdiction as may be conferred upon it by the state constitution.

***Related and Jointly Governed Organizations***

Related organizations and jointly governed organizations provide services within the City that are administered by separate boards or commissions, for which the City is not financially accountable, and such organizations are, therefore, not reported as component units of the City even though the Mayor and/or the City Council may appoint a voting majority of an organization's board.

***Related Organizations***

For the following organizations, the Mayor and/or the City Council appoints a voting majority of the members of the respective boards.

- Community Improvement Agency
- Housing Authority of New Orleans
- Finance Authority of New Orleans
- Public Belt Railroad Commission
- New Orleans Affordable Home Ownership, Inc.
- Regional Transit Authority

***Jointly Governed Organizations***

The City is a participant in other jointly governed organizations. The Mayor and/or the City Council appoints members of the boards for the following organizations. Such appointments represent less than a voting majority of the respective boards. There is no ongoing financial interest or ongoing financial responsibility for these entities.

- New Orleans Regional Loan Corporation
- New Orleans City Park Improvement Association
- New Orleans Exhibition Hall Authority
- Regional Planning Commission

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2008

#### **Basis of Presentation – 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 nonfiduciary activities of the City and its component units. Activity for the City and its discretely presented component units are reported separately in the government-wide financial statements. The effect of interfund activity has been eliminated in these statements.

Governmental activities are supported in part by property taxes, sales taxes, franchise taxes, charges for services, and grant revenues from the federal government and the State of Louisiana.

The statement of activities reports the change in the City's net assets from January 1, 2008 to December 31, 2008. This statement demonstrates the degree to which the direct expenses of a given function of government are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function of City government. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues in the statement of activities.

In addition to the government-wide financial statements, the City also reports financial statements for its governmental and fiduciary funds; these statements are classified as fund financial statements. The fund financial statements are organized on the basis of funds, each of which is considered a separate accounting entity with self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are spent and the means by which spending activities are controlled.

Information in the governmental fund financial statements is reported on a major fund basis. The identification of major funds is determined by the City each year under the methods outlined in GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – of State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – of State and Local Governments: Omnibus GASB Statements*. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are reported in the aggregate in the non-major governmental funds column.

#### **Governmental Funds**

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources, and the related liabilities are accounted for through governmental funds. The following are the City's major governmental funds:

- (a) **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in other funds.
- (b) **HUD Fund** – This special revenue fund is used to account for funding from the Department of Housing and Urban Development (HUD). Some of the major initiatives are Community Development Block Grants (CDBG), HOME Investment Partnership Act Program (HOME),

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2008

Emergency Shelter Grant (ESG) Program, and Housing Opportunities for Persons with HIV/AIDS (HOPWA).

- (c) *Federal UDAG Fund* – This special revenue fund accounts for grants received from the Department of HUD for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City.
- (d) *FEMA Fund* – This special revenue fund accounts for grants received from the Federal Emergency Management Agency (FEMA) for Hurricane Katrina relief efforts.
- (e) *CDL Fund* – This special revenue fund is used to account for the proceeds from the Community Disaster Loans. The proceeds were all spent in public safety expenditures in 2006.
- (f) *Debt Service Fund* – The debt service fund is used to account for the accumulation of resources for, and the payment of, general obligation bonds, limited tax bonds, and revenue bonds, including debt principal, interest, and related costs.
- (g) *Capital Projects Fund* – The capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by trust funds).

**Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. These include the following:

- (a) *Pension Trust Funds* – account for the accumulation of resources for pension benefit payments to qualified employees.
- (b) *Agency Funds* – are custodial in nature and do not involve measurement of results of operations.

**Basis of Accounting-Measurement Focus**

*Government-Wide Financial Statements (GWFS)*

The statement of net assets and the statement of activities include all the financial activities of the City, except for the fiduciary funds, and its component units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2008

#### *Fund Financial Statements*

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Their reported fund balances are considered a measure of "available spendable resources." Governmental fund statement of revenues, expenditures, and changes in fund balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period. Under the modified accrual basis of accounting, revenues are recorded when considered both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers amounts collected within sixty days after year-end, excluding grant moneys for which the period is one year after year-end, to be available and recognizes them as revenues of the current period. Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred. Expenditures related to principal and interest on long-term debt, claims, judgments, landfill post closing costs, and compensated absences are recognized when matured (i.e., due and payable). The following types of revenues are susceptible to accrual under the modified accrual basis of accounting: delinquent property taxes (including penalty and interest); services billed to other funds; sales tax; franchise fees; investment earnings, and grants. Intergovernmental revenues from reimbursable grants and capital projects are recognized when all eligibility requirements have been met and amounts are considered available.

Noncurrent portions of certain long-term receivables, primarily property taxes and special assessments, are reported on the balance sheet of governmental funds in spite of their spending measurement focus. Special reporting treatments are used to indicate that they should not be considered "available spendable resources," since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is deferred until they become available.

Licenses and permits, certain charges for services, fines, and forfeitures, and miscellaneous other revenues are recorded as revenues when received in cash because they are generally not measurable or available until actually received.

#### *Pension Trust and Agency Funds*

Pension trust funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Their revenues are recognized when earned, and their expenses are recognized when incurred. Agency funds use the accrual basis of accounting, but do not involve the measurement of operations.

#### *Use of Restricted Assets*

When restricted and unrestricted resources are available to cover expenses, unrestricted resources are first applied.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

***Investments***

Investments are stated at fair value based on quoted market prices.

***Accounts Receivable***

Property tax receivables of \$39,587,000 and grantee loan receivables of \$36,145,000 are shown net of an allowance of uncollectible amounts of \$13,834,000 and \$30,488,000, respectively.

***Capital Assets***

Capital assets (i.e., land, buildings, equipment, and improvements other than buildings), which include the City's infrastructure, and construction in progress are stated at historical cost or estimated historical cost if historical cost is not known. Donated capital assets are recorded at their fair value on the date donated. An item is classified as an asset if the initial individual cost is \$5,000 or greater. Capital assets of the City are reported in the government-wide financial statements but not in the governmental fund financial statements. Assets subject to depreciation are depreciated using the straight-line method.

Additions and improvements that significantly extend the useful life of an asset are capitalized. Repairs and maintenance costs are expensed as incurred.

The City reviews the carrying value of its capital assets to determine if circumstances exist indicating impairment in the carrying value of capital assets. If facts or circumstances support the possibility of impairment, management follows guidance in GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. If impairment is indicated, an adjustment will be made to the carrying value of the capital assets.

The estimated useful lives (in years) of all depreciable assets are as follows:

Buildings and improvements	20 – 40
Equipment and vehicles	5 – 10
Infrastructure	25 – 50
Other	5 – 15

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

Fully depreciated capital assets are included in the capital asset accounts until their disposal. The cost of assets sold or retired and the related amounts of accumulated depreciation are eliminated from the accounts in the year of sale or retirement, and any resulting gain or loss is recorded in the financial statements.

***Annual and Sick Leave***

All full-time classified employees of the City hired prior to January 1, 1979 are permitted to accrue a maximum of 90 days of vacation (annual leave) and an unlimited number of days of sick leave (accumulated at a maximum of 24 days per year). Employees hired after December 31, 1978 may accrue a maximum of 45 days of annual leave and an unlimited number of days of sick leave. Upon termination of employment, an employee is paid for accrued annual leave based upon his or her current hourly rate of pay and for accrued sick leave on a formula basis. If termination is the result of retirement, the employee has the option of converting accrued leave to additional days of service.

For governmental funds, annual and sick leave expenditures are recorded when due and payable. All vacation and sick leave is accrued when earned at the government-wide level.

***Litigation***

Claims and judgments are recognized in the governmental funds as expenditures when due and payable. Therefore, claims and judgments that are due and payable would be expected to be liquidated with expendable available financial resources. To the extent that claims and judgments mature prior to December 31, and are payable from current financial resources, they are accrued at December 31, 2008. Other liabilities not expected to mature as of December 31, 2008 are reported as liabilities in the government-wide financial statements. Estimates of claims and judgment liabilities (both incurred and reported and incurred but not reported) are made through a case-by-case review of all claims and the application of historical experience to the outstanding claims.

***Fund Balance***

***(a) Reserved***

Indicates that portion of fund balance, which has been legally segregated (e.g., by bond ordinance) for specific purposes and not available for appropriation.

***(b) Designated Fund Balance***

Indicates that portion of fund balance for which the City management has placed limitations as to use.

***(c) Undesignated Fund Balance***

Indicates that portion of fund balance, which is available for appropriation in future periods.

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2008

#### (2) Natural Disaster

On August 29, 2005, Hurricane Katrina struck the United States' gulf coast and caused destruction across the City and the states of Louisiana, Mississippi, and Alabama. Hurricane Katrina's tidal surges and the resulting levee breaches left eighty percent of the City under water. Ninety percent of the City's residents left under mandatory evacuation orders. The City suffered losses to buildings, police cars, fire trucks, parks, and other City-owned properties and equipment.

In 2005, the City received a \$102,000,000 grant from FEMA for reimbursement of expenditures for recovery efforts that began immediately after the storm. Additional grants were received in 2006 to fund expenditures recorded in 2005. In addition, the City received \$1,300,000 from the State of Louisiana as compensation for the revenue shortfall caused by the storm. These grants were reflected as operating grants in the 2005 fund level statement of activities. The City also received authorization for a \$120,000,000 Community Disaster Loan (CDL). As of December 31, 2005, the City had drawn \$61,396,000 of the CDL. The remaining \$58,604,000 was drawn down during 2006. The City received authorization during 2006 for an additional \$120,000,000 CDL on which \$17,610,000 was drawn down as of December 31, 2006. In addition to the funds drawn down in 2006, the City also drew down \$34,373,000 and \$32,748,000 during 2008 and 2007 respectively. These loans are reflected as long-term liabilities in the accompanying government-wide financial statements and are further described in Note 7. At the fund level these loans and related expenditures were recorded in the new major special revenue fund named CDL.

#### (3) Deposits and Investments

**Deposits.** The City's deposits are subject to and maintained in accordance with the State of Louisiana's Constitutional Revised Statutes (Revised Statutes). Under the Revised Statutes, all deposits exceeding the amount insured by the FDIC are to be fully collateralized with specific approved securities designated therein valued at 102% of the deposits. The eligible collateral pledged are held in custody by any Federal Reserve Bank, or branch thereof or an independent third party with whom the City has a current custodial agreement. All collateral held must be clearly marked, indicating evidence of ownership (safekeeping receipt). Deposits collateralized under the Revised Statutes are considered collateralized with securities held by the pledging financial institutions trust department or agent in the "City's name."

At December 31, 2008, the carrying amount of the City's deposits was \$87,070,000.

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it under state law. At December 31, 2008, the City's bank deposits secured by federal depository insurance or the pledge of securities held by the pledging banks agent in the City's name amounted to \$73,222,590. Of these bank balances, \$71,972,600 was covered by collateral held by the pledging banks' trust department or agent in the City's name and the remainder was covered under federal depository insurance. At December 31, 2008, the Board of Liquidation, a blended component unit, held cash of \$119,000 for the City of New Orleans. The deposit was in a financial institution in the name of the Board of Liquidation and was fully secured by federal depository insurance and collateral in the name of the Board of Liquidation.

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2008

**Investments.** The City's investment policy states its primary objectives, in priority order, of investment activities shall be:

Safety: Safety/security of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

Liquidity: The City investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity).

Return on Investments: The investment portfolio shall be designed with the objective of attaining a rate of return throughout budgetary and economic cycles, commensurate with investment risks constraints and the cash flow characteristics of the portfolio. Return on investments shall be secondary to the safety and liquidity objectives described above. The core of investments is limited to qualified, relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed.

The City's investment policy applies to all investment activities of the City under the control of the Director of Finance, including management of certain investments related to governmental and agency funds. All deposits and investments shall be made with a qualified public depository or dealer. Broker/Dealers are selected by their credit worthiness and must be authorized to provide investment services in the state of Louisiana. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

The City's policy also requires, to the extent possible, diversification of its investments by security type and institution. With the exception of U.S. Treasury securities, bank certificates of deposit (as limited by R.S.39:1242d), and authorized pools, no more than 25% of the City's total investment portfolio will be invested in a single security type or with a single financial institution. This diversification is required in order that potential losses on individual securities do not exceed the income of the remainder of the portfolio. Deviation from expectations will be reported in a timely manner and appropriate action taken to control adverse risks.

The City invests monies with the Louisiana Asset Management Pool (LAMP). LAMP is a nonprofit corporation organized under the laws of the State of Louisiana formed by an initiative of the State Treasurer in 1993. While LAMP is not required to be a registered investment company under the Investment Company Act of 1940, its investments policies are similar to those established by Rule 2-a7, which governs registered money market funds. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. LAMP's portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar-weighted average of portfolio maturity of LAMP assets is restricted to not more than 90 days and consists of no securities with a maturity in excess of 397 days. The fair market value of investments is determined weekly to monitor any variances

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

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between amortized cost and market value. For purposes of determining participants' share, investments are valued at amortized cost. LAMP is designed to be highly liquid to provide immediate access to participants.

The City follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which requires the adjustments of the carrying values of investments to fair value, which is based on available market values. The Local Government Investment Pool is a "2a-7-like" pool in accordance with GASB Statement No. 31; therefore, it is not presented at fair value but at its actual pooled share price, which approximates fair value.

At December 31, 2008, the City's market value of investments was as follows (amounts in thousands):

	<u>Governmental</u>	<u>Fiduciary</u>	<u>Pension Trust</u>	<u>Total</u>
LAMP	\$ 48,719	\$ 22,617	\$ —	\$ 71,336
Money market	127,864	—	—	127,864
Certificates of deposit	66,460	—	—	66,460
U.S. Agency securities	55,475	—	32,314	87,789
Treasury bills	3,476	—	—	3,476
Corporate bonds	—	—	41,314	41,314
Stock and mutual funds	—	—	206,839	206,839
Real estate and real estate funds	—	—	43,775	43,775
Invested in corporations, partnerships, and limited liability corporations	—	—	40,304	40,304
Invested in hedge funds, private equity funds, and fund to fund	—	—	46,086	46,086
Notes receivable	—	—	26,092	26,092
Cash equivalents	—	—	30,011	30,011
Other	7	—	13,720	13,727
Total investments	<u>\$ 302,001</u>	<u>\$ 22,617</u>	<u>\$ 480,455</u>	<u>\$ 805,073</u>

**Interest Rate Risk** – Interest rate risk is the risk that changes in the financial market rates of interest will adversely affect the value of an investment. The City manages interest rate risk for investments under the control of the City by limiting the maximum maturity of investments in accordance with their investment policy. As stated in its investment policy, the City will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, cash will not be invested in securities maturing more than three years from the date of purchase.

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Notes to Basic Financial Statements

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At December 31, 2008, the governmental funds, investment balances and maturities for those investments were as follows (amounts in thousands):

	Investment maturity in years				
	Total	Less than one year	1-5	6-10	More than 10
Money market	\$ 127,864	127,864	—	—	—
Certificates of deposit	66,460	66,460	—	—	—
U.S. Agency	55,475	23,228	14,891	—	17,356
U.S. Treasury	3,476	3,476	—	—	—
Total investments	\$ 253,275	221,028	14,891	—	17,356

At December 31, 2008, the Firefighters' Pension trust fund's investment balances and maturities for those investments subject to interest rate risk were as follows (amounts in thousands):

	Investment maturity in years				
	Total	Less than one year	1-5	6-10	More than 10
Corporate bonds	5,859	—	5,224	588	47
Total investments	\$ 5,859	—	5,224	588	47
Notes receivable	\$ 26,092	5,565	9,806	—	10,721
Collateral held under securities lending	\$ 918	918	—	—	—

At December 31, 2008, the Municipal Employees' Pension trust fund's investment balances and maturities for those investments subject to interest rate risk were as follows (amounts in thousands):

Bond Maturities	Market Value
0-2 Years	\$ 33,479
2-3 Years	6,534
3-4 Years	8,110
4-5 Years	2,906
5-6 Years	3,587
More than 6 years	8,175
Non Categorized	4,060
	\$ 66,851

**Credit Quality Risk** – Credit quality risk is the risk that the issuer or other counterparty to a debt security will not fulfill its obligation to the City. The City does not have a policy statement concerning credit quality risk in its investment policy. National rating agencies assess this risk and assign a credit quality rating for most investments. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not assigned credit quality ratings. Credit quality ratings are reported on obligations of U.S. government agencies not explicitly guaranteed by the U.S. government. LAMP has been rated AAA by Standard & Poor's Corporation.

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The following table provides information on the credit ratings associated with the Municipal Employees' pension trust fund's investments in debt securities at December 31, 2008 (amounts in thousands):

<u>Quality Sectors</u>	<u>Market Value</u>
Treasury	\$ 1,161
Agency	28,886
AAA	9,172
AA	1,697
A	9,196
BAA	7,997
Other	8,742
	<u>\$ 66,851</u>

The following table provides information on the credit ratings associated with the Firefighters' pension trust fund's investments in debt securities at December 31, 2008 (amounts in thousands):

	<u>Corporate bonds</u>
Baa1	\$ 357
Baa2	31
Ba2	23
Ba3	526
B1	566
B2	938
B3	1,101
Caa1	1,061
Caa2	757
Caa3	245
Ca	198
C	3
WR	3
NR	50
Total	<u>\$ 5,859</u>

**Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of a failure, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are exposed to custodial credit risk if they are uninsured, are not registered in the City's name, and are held by either the counterparty to the investment purchase or the counterparty's trust department or agent but not held in the City's name. The investments of the City and NOMERS' trust fund's investments owned at December 31, 2008 were not subject to custodial credit risk.

The City has no formal investment policy regarding custodial credit risk.

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Notes to Basic Financial Statements

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At December 31, 2008, the Firefighter's new system cash collateral held under the securities lending program in the amount of \$918,426 is exposed to custodial credit risk since the collateral is not in the name of the fund.

**Concentration of Credit Risk** – The City's investment policy does not allow for more than 25% of the total investment portfolio to be invested in a single security type with the exception of U.S. Treasury securities, bank certificates of deposit, and authorized pools. As of December 31, 2008, management believes all investments are in compliance with this policy. All of the City's investments are issued or explicitly guaranteed by the U.S. government or are held in LAMP and are not subject to concentration of credit risk.

The NOMERS pension trust fund's investment policy mandates the maximum limits on position held with each assets class as follows: equities (65%), fixed income (55%), and alternative investments (20%). As of December 31, 2008, all NOMERS investments were in compliance with this policy.

The Firefighter's Pension and Relief Fund's investment policy states that no more than 25% of the equity portfolio market value may be invested in any single industry. The equity holdings in any single corporation shall not exceed 5% of the market value of the equity portfolio at any time. In addition, no more than 5% of total fund assets at market may be invested in any one issuer's securities (exclusive of issues of the U.S. Treasury or other federal agencies). At December 31, 2008, there were no investment holdings that exceeded the fund's concentration of credit risk investment policy.

**Securities Lending Transactions** – The Board of Trustees of the Firefighter's Pension and Relief Fund authorized the fund to enter into a securities lending program. These agreements consist of the loan of stock and bonds with a simultaneous agreement to reacquire the same loaned security in the future plus a contract rate of interest. The Fund requires the dealer to transfer cash or collateral of no less than 100% of the market value of the securities underlying the securities lending agreements.

In cases of security loans in which the collateral received by the fund is cash, the fund is able to reinvest the cash under the agreement with the dealer. When this occurs the collateral is reported as an asset with a corresponding liability. If the fund receives collateral other than cash, it may not reinvest the collateral. When this occurs, the fund does not record the collateral on the financial statements. In both cases, the loaned securities continue to be reported as an asset on the balance sheet and in Note 7. The cash collateral was invested in cash equivalents and fixed income securities at December 31, 2008. The maturities of these investments match the maturities of the securities loans.

At year end, the fund has no credit risk exposure to borrowers because the amounts the borrowers owe the Fund exceed the amounts the Fund owes the borrowers. The fund cannot pledge or sell collateral securities received unless the borrower defaults.

# CITY OF NEW ORLEANS, LOUISIANA

## Notes to Basic Financial Statements

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### (4) Tax Revenues

At December 31, 2008, the total sales tax levied in the City is 9%, of which 4% is state sales tax, 1.5% is levied by the Orleans Parish School Board (the School Board), and 1% is dedicated for transportation and is levied by the Regional Transit Authority (RTA). The remaining 2.5% is used to fund the general operations of the City. The City administers and collects the entire 5% of local sales tax. The School Board's portion of the sales tax is accounted for in the Orleans Parish School Board sales tax clearing fund, and the RTA's portion of the sales tax is accounted for in the RTA sales tax clearing fund, both of which are agency funds.

The City levies a tax on real and personal property. Portions of these property taxes are dedicated for fire and police protection services and the public library system. Taxes on real and personal property are levied on January 1 of the assessment year based upon the assessed value as of the prior August 15. However, before the tax can be levied, the tax rolls must be submitted to the State Tax Commission for approval. Taxes are due and payable on January 1, the date on which an enforceable lien attaches on the property, and are delinquent on February 1.

The assessed value of property in the City for each year is determined by an elected Board of Assessors. It is then certified by the Louisiana Tax Commission as complying with the Louisiana Constitution of 1974. The City is permitted by the Louisiana statutes to levy taxes up to \$31.78 per \$1,000 of assessed valuation for general governmental services (including fire and police) other than the payment of principal and interest on long-term debt and other purposes specifically approved by the voters. It is permitted to levy taxes in unlimited amounts for the payment of principal and interest on general obligation bonds of the City.

Property tax levies per \$1,000 of assessed valuation accounted for within the funds of the City (primary government only) for the year ended December 31, 2008 are as follows:

General:		
General governmental services	\$	10.85
Dedicated for fire and police		4.66
Public library		3.14
Fire and police, without applying homestead exemption		7.92
Parkways and parks and recreation department		2.18
Street and traffic control device maintenance		1.38
Act 44		0.87
Special revenue:		
Neighborhood housing improvement fund		0.91
New Orleans economic development fund		0.91
Capital Improvement and Infrastructure		1.82
Debt service		23.80
	\$	<u>58.44</u>

**CITY OF NEW ORLEANS, LOUISIANA**

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Property taxes levied on January 1, 2008, collected during 2008, or expected to be collected within the first 60 days of 2009, are recognized as revenues in the statement of revenues, expenditures, and changes in fund balances – governmental funds. The entire estimated collectible amount of the tax levy for the fiscal year is recorded as revenue in the government-wide financial statements. Property taxes paid under protest are held in escrow until resolution of the dispute. Amounts collected for other governmental entities are accounted for in the agency funds.

**(5) Grantee Loans**

The City's grantee loan balances at December 31, 2008 are as follows (amounts in thousands):

	<u>Gross</u>	<u>Allowance</u>	<u>Net</u>
UDAG	\$ 6,473	(5,486)	987
HUD	25,002	(25,002)	—
Nonmajor (HUD loan)	<u>4,670</u>	<u>—</u>	<u>4,670</u>
Total grantee loans	<u>\$ 36,145</u>	<u>(30,488)</u>	<u>5,657</u>

**(a) UDAG**

The City has received certain grant awards or loans from the HUD for the purposes of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Fourteen individual loans are outstanding at December 31, 2008 totaling \$6,473,000, which bear interest at rates ranging from 0.1% to 7.0%. These loans are receivable over a 15- to 30-year period. Once loan repayments are received and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities specified in the grant agreement. The City has recorded \$5,487,000 in allowance for bad debt on these loans.

**(b) HUD Section 108**

The City received a Section 108 loan from HUD to allow/provide loans to the private sector for economic development. At December 31, 2008, there were four outstanding loans which bear interest at rates of 2% to 7% and are receivable over 15 to 30 years.

During 1998, HUD agreed to loan to the City \$24,375,000 for the development of the Jazzland Theme Park. These funds were subsequently loaned to Jazzland, Inc. (Jazzland) and were due from Jazzland in bi-annual installments plus 7.87% interest. During 2001, Jazzland failed to remit to the City a required payment and was in default on its loan as of December 31, 2001. On February 28, 2002, Jazzland filed for bankruptcy under Chapter 11 of the United States Bankruptcy Code. As a result, the City wrote off its remaining receivable from Jazzland. In 2002, Six Flags Theme Park, Inc. assumed management of Jazzland, and the theme park was renamed "Six Flags New Orleans." Six Flags had agreed to make monthly lease payments of \$116,667 to the Industrial Development Board (IDB), which in turn, would transfer the money to the City. The payments by the IDB are being made to the City. The lease expires in 2017. These moneys are to be used by the City to repay the HUD loan. Annual debt service on the loan is \$2,400,000 through 2017. During 2008, \$11,659,000 was received in payment of the outstanding loan. The City has recorded \$12,717,000 in allowance for the remaining balance on these loans.

**CITY OF NEW ORLEANS, LOUISIANA**

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During 2000, HUD agreed to loan to the City \$5,000,000 for the development of the old American Can Factory into apartments. The City subsequently loaned these funds and an additional \$1,500,000 (amount received by the City through Urban Development Action Grants) to Historic Restoration, Inc. (HRI). These funds are due from HRI in quarterly installments plus 2% interest. The principal payments commenced on April 1, 2003, and the final payment is due January 1, 2040. The outstanding balances at December 31, 2008 are \$4,670,000 on the HUD loan and \$987,000 on the UDAG loan.

During 2002, HUD agreed to loan to the City \$5,000,000 for the development of the Palace of the East. The City subsequently loaned these funds to the Palace of the East. The loan is due to be repaid in quarterly installments plus 6% interest. The principal payments commenced on July 15, 2004, and the final payment is due on August 1, 2021, with. The outstanding balance at December 31, 2008 is \$4,823,000. No payments were received during the year ended December 31, 2008. The City has recorded an allowance of \$4,823,000 against this loan.

During 2002, HUD agreed to loan to the City approximately \$7,047,000 million for the development of the Louisiana Artists Guild, a Louisiana Nonprofit Corporation. The City subsequently loaned these funds to LA Artworks. The loan is due to be repaid in quarterly installments plus interest of 5.6183%. Principal payments commenced on October 15, 2003 and end on July 15, 2022. The outstanding balance at December 31, 2008 is \$7,057,000. No payments were received during the year ended December 31, 2008. The City has recorded an allowance of \$7,057,000 against this loan.

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**(6) Capital Assets**

A summary of changes in capital assets of governmental activities (amounts in thousands) is as follows:

	<u>Balance January 1, 2008</u>	<u>Additions</u>	<u>Deletions and adjustments</u>	<u>Transfers</u>	<u>Balance December 31, 2008</u>
Nondepreciable capital assets:					
Land	\$ 103,522	1,259	(5,118)	—	99,663
Construction in progress	100,361	110,731	—	(62,976)	148,116
Total nondepreciable capital assets	<u>203,883</u>	<u>111,990</u>	<u>(5,118)</u>	<u>(62,976)</u>	<u>247,779</u>
Depreciable capital assets:					
Infrastructure	2,303,930	—	(7,176)	18,702	2,315,456
Buildings and improvements	164,238	7,366	(35,805)	43,462	179,261
Equipment and vehicles	68,949	9,637	(1,393)	—	77,193
Other	41,896	—	(1,980)	812	40,728
Total depreciable capital assets	<u>2,579,013</u>	<u>17,003</u>	<u>(46,354)</u>	<u>62,976</u>	<u>2,612,638</u>
Less accumulated depreciation for:					
Infrastructure	1,403,032	59,673	(718)	—	1,461,987
Buildings and improvements	92,370	5,127	(23,439)	—	74,058
Equipment and vehicles	43,864	8,638	(908)	—	51,594
Other	23,042	1,632	(1,756)	—	22,918
Total accumulated depreciation	<u>1,562,308</u>	<u>75,070</u>	<u>(26,821)</u>	<u>—</u>	<u>1,610,557</u>
Total depreciable capital assets, net	<u>1,016,705</u>	<u>(58,067)</u>	<u>(19,533)</u>	<u>62,976</u>	<u>1,002,081</u>
Total	\$ <u>1,220,588</u>	<u>53,923</u>	<u>(24,651)</u>	<u>—</u>	<u>1,249,860</u>

Depreciation expense was charged to functions/programs of the primary government as follows (amounts in thousands):

General government	\$ 9,446
Public safety	4,319
Public works	59,673
Culture and recreation	1,632
Total depreciation expense	\$ <u>75,070</u>

**(7) Long-Term Debt**

***Debt Service Fund***

The City's debt service fund is the Board, City Debt (the Board of Liquidation), an autonomous, self-perpetuating board created under the State of Louisiana Constitution of 1974. All property taxes levied

**CITY OF NEW ORLEANS, LOUISIANA**

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by the City and dedicated to the payment of outstanding general obligation bonds are collected by the City and, as required by law, paid over to the Board of Liquidation as collected.

The Board of Liquidation annually determines the amount of property tax millage necessary to be levied and collected by the City in the next fiscal year for the payment during such year of principal and interest on all outstanding general obligation bonds of the City and all such bonds proposed to be issued by the City during such year. The annual determination of the necessary tax millage to service bonds of the City is adopted by resolution of the Board of Liquidation, which is submitted to the City Council. The millage recommended by the Board of Liquidation is then levied by the City Council. The millages for the various limited bonds of the City were established at the time the bonds were issued based upon approval of the voters. Administrative expenditures paid in connection with the operations of the Board of Liquidation are recorded in the City's Debt Service fund.

***Bond Transactions***

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Bonds payable, excluding unamortized premium of \$11,759,000, at December 31, 2008 comprise the following (all bonds are serial bonds) (amounts in thousands):

Description	Original issue	Range of average interest rates	Amount outstanding	Due in one year
General obligation bonds:				
1998-2007 Public Improvement Bonds, due in annual installments ranging from \$3,645 to \$11,990 through December 2036	\$ 297,400	4.0 - 7.0%	\$ 211,820	\$ 5,200
1991 General Obligation Refunding Bonds, due in annual installments ranging from \$3,839 to \$9,964 commencing in September 2004 through September 2018	98,886	6.7 - 7.1%	54,410	7,352
1998 General Obligation Refunding Bonds, due in annual installments ranging from \$210 to \$13,080 through December 2026	106,520	3.7 - 5.5%	94,030	3,110
2002 General Obligation Refunding Bonds, due in annual installments ranging from \$300 to \$19,950 commencing on September 1, 2015 through September 1, 2021	58,415	5.1%	58,415	—

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Description	Original issue	Range of average interest rates	Amount outstanding	Due in one year
General obligation bonds, continued:				
2005 General Obligation Refunding Bonds, due in annual installments ranging from \$275 to \$8,795 commencing in December 2009 through December 1, 2029	\$ 105,280	3.0 – 5.25%	\$ 105,280	\$ 275
Limited tax bonds:				
2005 Limited Tax Bonds, due in annual installments of \$1,450 to 2,900 commencing in March 2006 through March 1, 2021	33,000	3.0-5.0%	28,480	1,635
Revenue bonds:				
2000 Taxable Pension Revenue Bonds, due in annual installments from \$3,600 to \$7,000 commencing on September 1, 2001 through September 1, 2030	170,660	6.95%	134,160	5,900
2004 Variable Rate Revenue Bonds, due in annual installments from \$355 to \$865 commencing on August 1, 2005 through August 1, 2024	11,500	Variable	9,970	430
Total bonds			696,565	23,902
Accreted bond discount at December 31, 2008			126,553	—
			<u>\$ 823,118</u>	<u>23,902</u>

In November 2004, the City received approval from taxpayers to issue \$260,000,000 in General Obligation Bonds. The City issued \$75,000,000 in face amount of these authorized General Obligation Bonds in December 2007 at a premium of \$147,000, proceeds of which were transferred to the Capital Projects Fund. Remaining authorized and unissued General Obligation Bonds were \$185,000,000 at December 31, 2008.

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The payment requirements for all bonds outstanding, including accretion on the 1991 General Obligation Bonds of \$126,553,000 (included in interest payments) as of December 31, 2008, are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2009	\$ 23,902	55,121
2010	27,055	56,244
2011	27,610	57,198
2012	28,142	58,118
2013	28,573	59,126
2014 – 2018	156,493	309,222
2019 – 2023	216,990	73,282
2024 – 2028	109,855	34,694
2029 – 2033	63,440	12,236
2034 – 2036	14,505	1,485
	\$ 696,565	716,726

The City's legal debt limit for General Obligation Bonds is \$992,948,000. At December 31, 2008, the City's legal debt margin adjusted for outstanding principal of \$523,956,000 and past and future accretion of \$200,040,000 on the City's outstanding General Obligation Bonds, plus net assets available in the Debt Service Fund of \$36,922,000 to service this debt was \$305,875,000.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of moneys through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. At December 31, 2008, management believes it is in compliance with all financial related covenants.

***Revenue Bonds***

Included in bonds payable are The Firefighters' Pension and Relief Fund (Old System) Bonds which were issued in 2000 to fund a portion of the projected unfunded accrued liability for the pension plan. The bonds are secured and payable solely from moneys that are available after payment of contractual and statutory obligations and other required expenses, including outstanding certificates of indebtedness. The bonds bear interest at a variable rate determined weekly based on the Bond Market Association Municipal Swap Index™ (BMA); however, the City entered into an interest rate swap agreement over the term of the bonds, which resulted in a fixed rate of 6.95%. As of December 31, 2008, \$134,160,000 in outstanding bonds was recorded as a liability in the government-wide financial statements. The swap terminates in September 2030.

***Objective of the interest rate swap.*** As a means of lowering its borrowing costs, when compared against fixed-rate bonds at the time of issuance in 2000, the City entered into an interest rate swap in connection with its \$170.6 million Taxable Pension Variable-Rate Revenue Bonds. The intention of the swap was to effectively change the City's variable interest rate on the bonds to a synthetic fixed rate of 6.95%.

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**Terms.** The bonds and the related swap agreement mature on September 1, 2030, and the swap's notional amount of \$171 million matches the \$171 million variable-rate bonds. The swap agreement was executed contemporaneously with the issuance of the bonds (November 2000). Starting in fiscal year 2001, the notional value of the swap and the principal amount of the associated debt decline. Under the swap, the City pays the counterparty, UBS, a fixed payment of 6.95% and receives a variable payment computed weekly based on the BMA swap index. In addition to the swap agreement, the City entered into a remarketing arrangement with JPMorgan Chase, which obligates the bank to buy the bonds at par at the remarketing agent's demand if the remarketing agent cannot resell the bonds ("the put"). In February 2008, the remarketing agent exercised its put option, which resulted in the bonds becoming "bank bonds" and the City being required to pay interest at the bank's prime rate. The bank bond rate increased to the bank's prime rate plus 1% after 90 days. This payment is an addition to the swap payments, which require the City to pay the counterparty a fixed 6.95% reduced by a variable rate equal to the current 30 day London Interbank Borrowing Rate (LIBOR).

**Fair value.** Because interest rates have declined since execution of the swap, the swap had a negative fair value of \$52.8 million as of December 31, 2008. The fair value was estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

**Credit risk.** As of December 31, 2008, the City was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the derivative's fair value. The swap counterparty was rated Aa2, A+, and A+ by Moody's Investors Service, Standard & Poor's and Fitch Ratings, respectively, as of December 31, 2008.

**Termination risk.** The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The swap may be terminated by the City if the counterparty's credit quality rating falls below "A-" as issued by Moody's Investors Service. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. If at the time of termination the swap has a positive fair value, the City would receive a cash payment.

#### **Certificates of Indebtedness**

In 1998, the City issued \$75,205,000, of which \$29,490,000 remained outstanding at December 31, 2008, in certificates of indebtedness (Series 1998B) for the primary purpose of refunding the City's Series 1992 certificates of indebtedness, the City's debt obligation incurred in 1983, and additional debt incurred in 1993 under the merger agreement between the Municipal Police Employees' Retirement System (MPERS) and the City's board of trustees of the Police Pension Fund. The certificates bear interest ranging from 4.05% to 5.1%, payable semiannually and will be fully matured on December 1, 2012.

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Notes to Basic Financial Statements

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In December 2000, the City issued \$27,000,000, of which \$7,800,000 remained outstanding at December 31, 2008, in certificates of indebtedness (Series 2000) for the primary purpose of paying general settlements and judgments rendered against the City. The certificates bear interest ranging from 5% to 5.5%, payable semiannually and will be fully matured on December 1, 2010.

In January 2002, the City issued \$5,155,000, of which \$2,725,000 remained outstanding at December 31, 2008, in certificates of indebtedness (Series 2001C) for the primary purpose of paying general settlements and judgments rendered against the City. The certificates bear interest ranging from 3.5% to 4.25%, payable semiannually and will be fully matured on February 1, 2011.

In March 2003, the City issued \$38,555,000, of which \$11,845,000 remained outstanding at December 31, 2008, in certificates of indebtedness (Series 2003) for the primary purpose of refinancing the payments of the City under an existing lease agreement financing the costs of acquisition of additional vehicles and paying the costs of issuance. The certificates bear interest ranging from 2.97% to 3.4%, payable semiannually and will be fully matured on March 1, 2010.

In April 2004, the City issued \$4,065,000, of which \$2,060,000 remained outstanding at December 31, 2008, in limited tax certificates of indebtedness (Series 2004) for the primary purpose of financing the costs of acquisition of additional vehicles and paying the costs of issuance. The certificates bear interest ranging from 2% to 3.5%, payable semiannually and will be fully matured on April 1, 2011.

In December 2004, the City issued \$40,415,000, of which \$38,265,000 remained outstanding at December 31, 2008, in limited tax certificates of indebtedness (Series 2004B) for the primary purpose of financing the partial defeasance of the 1998B Certificates, financing judgment claims against the City, and paying the costs of issuance. The certificates bear interest ranging from 3.15% to 4.75%, payable semiannually and will be fully matured on March 1, 2014.

During 2005, the City issued \$2,050,000, of which \$1,230,000 remained outstanding at December 31, 2008, in certificates of indebtedness (Series 2005) for the primary purpose of paying costs to repair trackage for rail car storage and to make infrastructure improvements in connection with the CG Rail Project. The certificates bear interest of 3.59%, payable semiannually and will be fully matured on December 1, 2014.

The requirements to amortize the certificates of indebtedness are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2009	\$ 18,110	4,176
2010	19,845	3,345
2011	14,590	2,462
2012	14,855	1,765
2013	12,675	925
2014	13,340	319
	<u>\$ 93,415</u>	<u>12,992</u>

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***Loans Payable***

The City has entered into a Community Disaster Loan (CDL) agreement with the Federal Emergency Management Agency (FEMA) to assist in paying current operations as a result of Hurricane Katrina. During 2005, the City was authorized to draw down \$120,000,000. As of December 31, 2005, the City has drawn down \$61,396,000 and the full \$120,000,000 at December 31, 2006. During 2006, the City was authorized a new \$120,000,000 CDL of which \$17,611,000 was drawn down at December 31, 2006. The City drew down \$32,748,000 during the year ended December 31, 2007. The City has pledged as collateral future revenues from anticipated taxes. The two CDL's, which accrue interest at a rate of 2.75% and 2.93%, are due at the end of five years but can be extended for an additional five years. Interest in the amount of \$16,117,000 and \$9,681,000 will be due on the outstanding principal balance in 2010 and 2011, respectively. Accrued interest through the year ended December 31, 2008 was \$13,048,000.

The City entered into a cooperative endeavor agreement with the State of Louisiana to provide for the issuance of general obligation bonds of the State of Louisiana (GO Zone Series) to fund the debt service assistance loan program, which will make scheduled debt service payments on behalf of the City for certain issues of outstanding debt. The city borrowed \$23,550,000 and \$12,345,000 for the years ended December 31, 2007 and 2008, respectively. The loans are payable beginning in 5 years in equal installments over 15 years commencing in 2012. Interest is deferred during the initial 5 year period and then accrues at a rate of 4.64% during the repayment period.

The requirements to amortize the debt service assistance loan are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2012	\$ 3,401	3,314
2013	3,559	3,156
2014 - 2018	20,429	13,147
2019 - 2023	25,629	7,947
2024 - 2028	18,410	1,734
	<u>\$ 71,428</u>	<u>29,298</u>

***Other Long-Term Liabilities***

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of HUD as guarantor. Portions of these funds were used to fund grantee loans referred to in Note 5. The loans consist of notes bearing interest at either fixed interest rates ranging from 5% to 8% or variable interest rates based upon the London Interbank Offered Rate (LIBOR). As of December 31, 2008, \$30,344,000 is recorded as a liability in the government-wide financial statements.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

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The requirements to amortize the Section 108 loans are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2009	\$ 2,182	1,902
2010	2,318	1,777
2011	2,456	1,640
2012	2,610	1,493
2013	2,780	1,333
2014 - 2018	14,224	3,769
2019 - 2023	3,774	516
	<u>\$ 30,344</u>	<u>12,430</u>

On October 15, 2000, the City entered into an agreement with a vendor to purchase heating, ventilation and air cooling (HVAC) equipment under a 20 year capital lease. The City entered into two similar subsequent agreements with this vendor on June 1, 2001 and February 15, 2002 primarily for the purpose of purchasing additional HVAC equipment and traffic lights, respectively. The original net present value of these capital leases were \$9,625,000, \$17,912,000 and \$6,248,000 with corresponding interest rates of 7.8%, 7.1% and 6.5%, respectively. Under terms of the agreement, title to this equipment is to transfer to the City at the end of the lease. The contracts provided for a guaranteed energy savings component, which when combined with certain other savings, stipulated by the City, would exceed the debt service requirements on this capital lease. Following Hurricane Katrina, the City and the vendor agreed to amend their original agreement to remove the guaranteed savings component and to reduce the monthly maintenance contract. This liability and the related asset were not previously recorded on the City's books. The HVAC equipment under the leases dated in 2000 and 2001, were recorded as Buildings and Improvements (Note 6) and depreciated over 20 years, with an adjustment made for estimated impairment from Hurricane Katrina. As the traffic light equipment was substantially destroyed in 2005, these assets were not recorded on the City's books.

The requirements to amortize the capital leases are as follows (amounts in thousands):

	<u>Principal</u>	<u>Interest</u>
Year ending December 31:		
2009	\$ 1,311	1,921
2010	1,406	1,826
2011	1,508	1,724
2012	1,660	1,615
2013	1,823	1,494
2014 - 2018	11,288	5,296
2019 - 2023	8,496	1,037
	<u>\$ 27,492</u>	<u>14,913</u>

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The City has recorded \$47,514,000 in accrued annual and sick leave in accordance with its pay-out policies. During the year active employees earned and used \$30,941,000 and \$27,397,000 in sick and vacation leave benefits, respectively. The entire annual and sick liability is recorded in the government wide statements and no liability is recorded in the governmental funds.

***Changes in Long-Term Liabilities***

Long-term liability activity for the year ended December 31, 2008 was as follows (amounts in thousands):

	January 1, 2008	Additions	Deletions	December 31, 2008	Due in one year
Claims and judgments (note 12)	\$ 228,601	97,306	(144,920)	180,987	20,816
Landfill closing costs (note 12)	12,560	-	(6,272)	6,288	182
Accrued annual and sick leave	43,970	30,941	(27,397)	47,514	5,000
Revenue bonds	150,140	-	(6,010)	144,130	6,330
Certificates of indebtedness	110,165	-	(16,750)	93,415	18,110
General obligation bonds (a)	669,256	-	(18,748)	650,508	21,575
Limited tax bonds	30,045	-	(1,565)	28,480	1,635
Deferred loss on refunding	(3,747)	-	347	(3,400)	346
Premium on bonds payable	13,051	-	(1,293)	11,758	1,240
Discount on bonds payable	(571)	-	48	(523)	(48)
Community Disaster Loan	170,358	34,373	-	204,731	-
Debt Service Assistance Program	59,083	12,345	-	71,428	-
HUD Section 108 loan	32,405	-	(2,061)	30,344	2,182
Capital leases	28,715	-	(1,223)	27,492	1,311
Net pension obligation	34,052	37,235	(15,469)	55,818	14,374
Post-employment benefit	18,443	33,066	(19,224)	32,285	15,780
	<u>\$ 1,596,526</u>	<u>245,266</u>	<u>(260,537)</u>	<u>1,581,255</u>	<u>108,833</u>

(a) Additions and deletions include amounts related to accretion of 1991 Refunding Series of 14,101 and (16,870), respectively.

The above liabilities will be repaid from the General Fund, except for HUD Section 108 loans, which will be repaid from the UDAG Fund, and the General Obligation and Limited Tax Bonds and a portion of the Debt Service Assistance Loan Program, which will be repaid from the Debt Service Fund. The Board of Liquidation handles all the bonded debt of the City and results of its operations are reported in the debt service fund. For the year ended December 31, 2008, the debt service fund had \$66,897,000 in fund balance reserved to service this debt.

**(8) Pension Plans and Postretirement Healthcare Benefits**

At December 31, 2008, the City sponsors and administers four separate single-employer, contributory defined benefit pension plans, namely: (1) Firefighters' Pension and Relief Fund – Old System; (2) Firefighters' Pension and Relief Fund – New System; (3) Police Pension Plan (Police Plan); and (4) Employees' Retirement System of the City of New Orleans (Employees' Plan). The Old System covers firefighters who were employed prior to December 31, 1967; the New System covers firefighters hired since that date. Effective March 6, 1983, all members of the Police Plan, active and retired, except for approximately 250 participants who did not meet the eligibility requirements, became members of the Municipal Police Employees' Retirement System (State of Louisiana) (MPERS). The Police Plan of the City will remain responsible for the payment of certain benefits due to differences in length of service and

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

December 31, 2008

age requirements for the participants who were not transferred to the MPERS plan. MPERS is the only cost-sharing, multiple-employer retirement plan in which employees of the City participate. The Employees' Plan covers all City employees other than firefighters and police.

All four plans use the accrual basis of accounting for changes in net assets. Within this context, interest income is recognized when earned, as are employer and employee contributions, except in the case of the Police Plan, which recognizes employer contributions when due from the City. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### ***MPERS Plan Description***

On March 6, 1983, an agreement was signed among the City, the Police Pension Funds of the City of New Orleans, and the MPERS, which provided for the merger of the Police Pension Plans with the MPERS. As of that date, all members of the Police Pension Plans, active and retired, became members of the MPERS. Those members covered by the system who did not meet the age and service requirements of the MPERS will be paid by the Police Pension Fund of the City until they reach age 50 or 55, depending on the length of active service. The MPERS is a defined benefit pension plan established by a State of Louisiana statute.

Employees become eligible for retirement under the MPERS plan at age 50, after being a member of the plan for 1 year and after 20 years of active continuous service. An employee who is age 55 becomes eligible for retirement benefits after 16 years of active continuous service. The plan also provides death and disability benefits. Authority to establish and amend benefit provisions is provided under the laws of the State of Louisiana. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for the MPERS. That report may be obtained by writing to the Municipal Police Employees' Retirement System, 8401 United Plaza Boulevard, Room 270, Baton Rouge, Louisiana 70809, or by calling (800) 443-4248.

#### ***Employees' Plan, Police Plan, Firefighters' Pension and Relief Fund – Old and New System Descriptions***

Each plan is a defined benefit pension plan established by the State of Louisiana statute, which provide retirement, disability, and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Authority to establish and amend benefit provisions is provided under the laws of the State of Louisiana. Each plan issues a publicly available financial report that includes financial statements and required supplementary information for that plan. Those reports may be obtained by writing or calling the plan.

Employees' Retirement System of the City of New Orleans  
1300 Perdido Street, Suite 1E12  
New Orleans, Louisiana 70112  
(504) 658-1850

Police Pension Fund of the City of New Orleans  
715 S. Broad, Room B23  
New Orleans, Louisiana 70119  
(504) 826-2900

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Firefighters' Pension and Relief Fund of the  
 City of New Orleans (Old and New Systems)  
 329 S. Dorgenois Street  
 New Orleans, Louisiana 70119  
 (504) 821-4671

***Funding Policies and Annual Pension Costs***

The employer contributions for the MPERS and the Firefighters' Pension and Relief Fund (New System) are based on actuarially determined amounts. The employer contribution for the Police Pension Fund is based on amounts necessary to cover administrative costs and payments of pensions and benefits, as certified by the board of trustees of the Fund. The employer contribution for the Firefighters' Pension and Relief Fund (Old System) is based on amounts necessary to pay current expenses, and, in effect, is being funded on a "pay-as-you-go" basis. In December 2000, the City issued \$170,660,000 of taxable pension revenue bonds to fund the projected unfunded accrued liability of the Firefighters' Pension and Relief Fund (Old System). Debt service is to be paid from the General Fund. Employees covered under the MPERS contribute 4% of their earnable compensation to the plan. Employees covered under the Firefighters' Pension and Relief Fund of the City of New Orleans (Old and New Systems) contribute 6% of salary for the first 20 years of employment.

As a result of the merger contract with the MPERS to transfer all active policemen who were participating in the City's Police Pension Fund to MPERS, there were no active participants in the plan and therefore the only contributions by employees to the plan related to retirees' contributions for the purchase of military service credit. The City's annual pension cost for the current year and related actuarial methods and assumptions for each plan is as follows (amounts in thousands):

	<b>Employees' Retirement System</b>	<b>Police Pension Fund</b>	<b>Firefighters' Pension and Relief Fund (Old System)</b>	<b>Firefighters' Pension and Relief Fund (New System)</b>
Annual required contribution (thousands)	\$ 9,430	—	19,336	10,965
Annual pension cost (thousands)	9,434	—	17,851	10,297
Contributions made (thousands)	4,991	—	—	10,478
Actuarial valuation date	1/1/09	12/31/08	12/31/08	12/31/08
Actuarial cost method	Frozen entry age actuarial cost method	Entry age normal cost method	Entry age normal cost method	Aggregate actuarial cost method

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	<u>Employees' Retirement System</u>	<u>Police Pension Fund</u>	<u>Firefighters' Pension and Relief Fund (Old System)</u>	<u>Firefighters' Pension and Relief Fund (New System)</u>
Amortization method	(a)	(b)	Specific number of years – level amount, closed	(c)
Remaining amortization period	(a)	(b)	6 years	(c)
Asset valuation method	Market value	Cost which approximates market	Market value	Three-year averaging
Actuarial assumptions:				
Investment rate of return	7.75%	7.00%	7.50%	7.50%
Projected salary increases	4.50	NA	5.00	5.00

- (a) The amortization period for the year, which ended on December 31, 2008, is being maintained. Beginning with the January 1, 1992 actuarial valuation, the amortization amount was “frozen” and is equal to the 12-year remaining amortization amount over the period January 1, 1992 through December 31, 2008.
- (b) The “Entry Age Normal” cost method was used to calculate the funding requirements of the Fund. Under this cost method, the actuarial present value of projected benefits of each individual included in the valuation is allocated on a level basis as a percentage of payroll for each participant between entry age and assumed retirement age.
- (c) The aggregate actuarial cost method does not identify or separately amortize unfunded actuarial liabilities. *Annual Pension Cost, Prepaid Pension Asset, and Net Pension Obligation* – The City’s annual pension cost (APC), prepaid pension asset (PPA), and net pension obligation (NPO) to the City of New Orleans Employees’ Retirement System and the Firefighters’ Pension and Relief Fund (Old System and New System) for the current year are as follows (amounts in thousands):

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	<u>New Orleans Employees' Retirement System</u>	<u>Firefighters' Pension and Relief Fund (Old System)</u>	<u>Firefighters' Pension and Relief Fund (New System)</u>
Annual required contribution	\$ 9,430	19,336	10,965
Interest on PPA (NPO)	(4)	2,226	306
Adjustment to annual required contribution	<u>(48)</u>	<u>(5,013)</u>	<u>37</u>
Annual pension cost	9,378	16,549	11,308
Contributions made	<u>4,991</u>	<u>-</u>	<u>10,478</u>
Decrease (increase) in PPA (NPO)	<u>(4,387)</u>	<u>(16,549)</u>	<u>(830)</u>
PPA (NPO), beginning of year	<u>-</u>	<u>(30,990)</u>	<u>(3,062)</u>
PPA (NPO), end of year	<u>\$ (4,387)</u>	<u>(47,539)</u>	<u>(3,892)</u>

The NPOs are approximately \$4,387,000, \$47,539,000, and \$3,892,000 respectively, at December 31, 2008, and are recorded in the governmental activities of the government-wide statement of net assets.

**Three Year Trend Information (amounts in thousands)**

	<u>Year ending</u>	<u>APC</u>	<u>Percentage of APC contributed</u>	<u>NPO (PPA)</u>
MPERS	12/31/08	\$ 9,434	53%	\$ 4,387
	12/31/07	3,572	133	(52)
	12/31/06	4,003	100	1,266
Firefighters' Pension and Relief Fund (Old System)	12/31/08	17,851	—	47,539
	12/31/07	18,025	—	30,990
	12/31/06	19,567	—	13,874
Firefighters' Pension and Relief Fund (New System)	12/31/08	10,297	102	3,892
	12/31/07	10,863	82	3,062
	12/31/06	10,209	92	2,493

## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Basic Financial Statements

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#### *Postretirement Healthcare Benefits*

##### **Plan Description**

The City of New Orleans' medical benefits are provided through a self-insured comprehensive health benefit program and are made available to employees upon retirement.

Medical benefits are provided to employees upon actual retirement (that is, at the end of the DROP period, if applicable) according to the eligibility provisions of the System by which the employee is covered. The vast majority of City employees are covered by one of three primary systems: The Employees' Retirement System of the City of New Orleans (NOMERS), the Louisiana State Municipal Police Employees Retirement System (MPERS), and the New Orleans Firefighters' Pension and Relief Fund (NOFF). The maximum DROP period is five years in NOMERS and NOFF and three years in MPERS. Retirement (DROP entry) eligibility is as follows: in NOMERS, the earliest of 30 years of service at any age; age 60 and 10 years of service; age 65 and 5 years of service; or, satisfaction of the "Rule of 80" (age plus service equals or exceeds 80); in MPERS, the earlier of 25 years of service and age 50 and 20 years of service (in MPERS, DROP entry requires age 55 and 12 years of service or 20 years of service and eligibility to retire); in NOFF, age 50 and 12 years of service. However, because of the "back-loaded" benefit formula in the NOFF plan relative to years of service, the retirement assumption used for that plan was the earliest of age 50 and 30 years of service, age 55 and 25 years of service, and age 60 and 12 years of service.

##### **Contribution Rates**

Employees do not contribute to their post employment benefits costs until they become retirees and begin receiving those benefits. The plan provisions and contribution rates are contained in the official plan documents.

##### **Fund Policy**

Until 2007, the City recognized the cost of providing post-employment medical benefits (the City's portion of the retiree medical benefit premiums) as an expense when the benefit premiums were due and thus financed the cost of the post-employment benefits on a pay-as-you-go basis. Effective with the Fiscal Year beginning January 1, 2007, the City implemented Government Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other than Pensions* (GASB 45).

In 2008, the City's portion of health care funding cost for retired employees totaled \$19,223,653.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

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**Annual Required Contribution**

The City's Annual Required Contribution (ARC) is an amount actuarially determined in accordance with GASB 45. The Annual Required Contribution (ARC) is the sum of the Normal Cost plus the contribution to amortize the Actuarial Accrued Liability (AAL). A level dollar, open amortization period of 30 years (the maximum amortization period allowed by GASB 43/45) has been used for the post-employment benefits. The total ARC for the fiscal year beginning January 1, 2008 is \$33,394,386, as set forth below:

	<u>Medical</u>
Normal Cost	\$ 8,732,764
30-year UAL amortization amount	24,661,622
Annual required contribution (ARC)	<u>\$ 33,394,386</u>

**Net Post-employment Benefit Obligation (Asset)**

The table below shows the City's Net Other Post-employment Benefit (OPEB) Obligation (Asset) for fiscal year ending December 31, 2008:

	<u>Medical</u>
Beginning Net OPEB Obligation (Asset) 1/1/2008	\$ 18,442,786
Annual required contribution	33,394,386
Interest on Net OPEB Obligation	737,711
ARC Adjustment	1,066,550
OPEB Cost	<u>33,065,547</u>
Contribution	-
Current year retiree premium	<u>19,223,653</u>
Change in Net OPEB Obligation	<u>13,841,894</u>
Ending Net OPEB Obligation (Asset) 12/31/2008	<u>\$ 32,284,680</u>

The following table shows the City's annual post employment benefits (PEB) cost, percentage of the cost contributed, and the net unfunded post employment benefits (PEB) liability (asset):

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net PEB Liability</u>
December 31, 2008	\$33,065,547	58.14%	\$32,284,680
December 31, 2007	\$30,778,145	40.08%	\$18,442,786

CITY OF NEW ORLEANS, LOUISIANA

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**Funded Status and Funding Progress**

In the fiscal year ending December 31, 2008, The City made no contributions to its post employment benefits plan. The plan was not funded, has no assets, and hence has a funded ratio of zero. As of January 1, 2008, the most recent actuarial valuation, the Actuarial Accrued Liability (AAL) was \$426,450,108, which is defined as that portion, as determined by a particular actuarial cost method (the City uses the Unit Credit Cost Method), of the actuarial present value of post employment plan benefits and expenses which is not provided by normal cost. Since the plan was not funded in fiscal year 2008, the entire actuarial accrued liability of \$426,450,108 was unfunded.

Actuarial Accrued Liability (AAL)	\$	426,450,108
Actuarial Value of Plan Assets (AVP)		-
Unfunded Act. Accrued Liability (UAAL)	\$	<u>426,450,108</u>
Funded Ratio (AVP/AAL)		0%
Covered Payroll (active plan members)	\$	226,763,971
UAAL as a percentage of covered payroll		188%

**Actuarial Methods and Assumptions**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for post employment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) health care cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan (the plan as understood by the City and its employee plan members) at the time of the valuation and on the pattern of sharing costs between the City and its plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the City and plan members in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial liabilities and the actuarial value of assets.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

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**Actuarial Cost Method**

The ARC is determined using the Unit Credit Cost Method. The employer portion of the cost for retiree medical care in each future year is determined by projecting the current cost levels using the healthcare cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover.

**Actuarial Value of Plan Assets**

There are not any plan assets. It is anticipated that in future valuations a smoothed market value consistent with Actuarial Standards Board ASOP 6, as provided in paragraph number 125 of GASB Statement 45.

**Turnover Rate**

The following age related turnover scale was used:

<u>Age</u>	<u>Percent Turnover</u>
18 - 25	20.00%
26 - 40	12.00%
41 - 54	8.00%
55+	6.00%

**Post employment Benefit Plan Eligibility Requirements**

Based on past experience, it has been assumed that entitlement to benefits will commence at the end of the DROP period, as described under the heading "Plan Description." In addition, an additional delay of one year after retirement eligibility was included for NOMERS employees and a further two years' delay where eligibility was under the "Rule of 80."

**Investment Return Assumption (Discount Rate)**

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits (that is, for a plan which is funded). Based on the assumption that the ARC will not be funded, a 4% annual investment return has been used in this valuation. This is a conservative estimate of the expected long term return of a balanced and conservative investment portfolio under professional management.

**Health Care Cost Trend Rate**

The expected rate of increase in medical cost is based on projections performed by the Office of the Actuary at the Centers for Medicare & Medicaid Services as published in National Health Expenditures Projections: 2003 to 2013, Table 3: National Health Expenditures, Aggregate and per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2004 by the Health Care Financing Administration ([www.cms.hhs.gov](http://www.cms.hhs.gov)).

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

"State and Local" rates for 2008 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 5.0% for 2016 and later.

**Mortality Rate**

The 1994 Group Annuity Reserving (94GAR) table, projected to 2002, based on a fixed blend of 50% of the unloaded male mortality rates and 50% of the unloaded female mortality rates, is used. This is the mortality table which the Internal Revenue Service requires to be used in determining the value of accrued benefits in defined benefit pension plans.

**Method of Determining Value of Benefits**

The "value of benefits" has been assumed to be the portion of the premium after retirement date expected to be paid by the employer for each retiree and has been used as the basis for calculating the actuarial present value of OPEB benefits to be paid. The employer rates provided are "unblended" rates for active and retired as required by GASB 45 for valuation purposes.

**(9) Individual Fund Disclosures**

*Deficit Fund Equity*

At December 31, 2008, the FEMA and HUD funds had deficit fund balances in the amounts of approximately \$23,513,000 and \$267,000, respectively, resulting from accrued expenditures for which revenue has been recognized.

*Interfund Receivables and Payables*

Individual fund interfund receivables and payables at December 31, 2008 were as follows (amounts in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	FEMA Fund	\$ 26,673
	Federal UDAG Fund	1,253
	Nonmajor Funds	13,076
Nonmajor Funds	Nonmajor Funds	2,021
	General Fund	63
Federal UADG Fund	General Fund	<u>1,814</u>
		<u>\$ 44,900</u>

Interfund balances resulted from the time lag between the dates (1) when interfund services are provided or reimbursable expenditures occur and (2) payments between funds are made. For example, the General Fund originally incurred expenditures that were ultimately recorded in the FEMA grant and reimbursed by the federal government. The interfund balances between the General Fund and the HUD Grant Fund and Nonmajor Funds result from timing differences in the payment for services and reimbursement from the federal government.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

***Interfund Advances***

Individual fund interfund advances at December 31, 2008 were as follows (amounts in thousands):

	<b>Advances to other funds</b>	<b>Advances from other funds</b>
General	\$ 252	—
Nonmajor special revenue:		
Sidewalk paving and repairing	—	2
Department of Safety and Permits – Demolition	—	250
Total nonmajor special revenue	—	252
	\$ 252	252

The interfund balances are not expected to be repaid within the year.

***Fund Transfers***

Individual fund transfers for the year ended December 31, 2008 were as follows (amounts in thousands):

	<b>Transfers-in</b>	<b>Transfers-out</b>
General	\$ 13,938	(1,387)
Nonmajor governmental funds	1,387	(13,938)
Total	\$ 15,325	(15,325)

Transfers are used to (1) move revenues from the fund that statute or the budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds. Amounts transferred to the General Fund from the Rivergate Development Corporation Fund (included as a nonmajor governmental fund) represent net rents and other cost reimbursements received related to the land-based casino. Amounts transferred to the Federal UDAG Fund represents advances made from the Community Development Block Grant (CDBG) to pay debt service.

***Charges to Component Units for Support Services***

Charges for support services paid to the general fund during fiscal year 2008 by the Airport amounted to \$3,579,000 primarily for overhead reimbursement and fire protection.

The City does not charge the Downtown Development District, French Market Corporation, the Municipal Yacht Harbor Management Corporation, the Upper Pontalba Building Restoration Corporation, or Canal Street Development Corporation for any support services provided to them. In addition, the City does not charge rent to the Audubon Commission for the land which is owned by the City on which the golf course operates.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

**(10) Fund Balance Reserves**

Certain fund balance amounts in the following funds have been reserved to indicate a restriction for a particular purpose or amounts that are not available for appropriation. Details of the components of reserved fund balance at December 31, 2008 are as follows (amounts in thousands):

	Governmental funds					Total
	General	Federal UDAG	Debt service	Capital projects	Other governmental	
Encumbrances \$	7,229	21,438	—	95,357	1,218	125,242
Debt service	—	—	66,897	—	—	66,897
Grantee loans	—	987	—	—	—	987
Total	<u>\$ 7,229</u>	<u>22,425</u>	<u>66,897</u>	<u>95,357</u>	<u>1,218</u>	<u>193,126</u>

**(11) Interest Income**

Interest earned on investments held by the City's capital projects fund, certain special revenue funds (Sidewalk Paving and Repairing, Traffic Court Judicial Expense, Department of Safety and Permits – Demolition, Vieux Carre<sup>3</sup> Commission, and Municipal Court Judicial Expense) and certain agency funds (Clearing and Deposit) is recorded as revenue of the General Fund. The amount of interest revenue recorded by the General Fund on investments of the capital projects fund for the year ended December 31, 2008 was approximately \$5,020,000.

**(12) Commitments and Contingencies**

*Operating Lease Agreements*

The City has commitments under several operating lease agreements for equipment and facilities. These lease agreements are primarily for copier and data processing equipment and for land and buildings. They are cancelable by the City at any time. However, City management believes that such leases will generally be renewed or replaced each year. Annual rent in 2008 for such operating lease agreements was approximately \$5,154,000.

*Claims and Judgments*

The City is a defendant in a number of claims and lawsuits alleging, among other things, personal injury, police brutality, wrongful death, overcollection of property taxes, and improperly designed drainage systems.

*Self-Insurance*

The City is self-insured for its motor vehicle fleet, and general liability and police department excessive force, workers' compensation, hospitalization, and unemployment losses and claims.

The City's claims are financed on a "pay-as-you-go" basis for its motor vehicle fleet, general liability and police department excessive force losses. Premiums are charged by the General Fund to the City's various funds for the unemployment and worker's compensation self-insurance programs and to employees and the

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

City's various funds for the hospitalization self-insurance programs. Paid claims in excess of such premiums, if any, are funded by the General Fund.

As of December 31, 2008, the City has determined, through an analysis of historical experience, the adequacy of the liability necessary to cover all losses and claims, both incurred and reported and incurred but not reported (IBNR), under its self-insurance programs. The City does not discount its claims liabilities. The liabilities of \$359,000 for motor vehicle fleet, \$108,432,000 for general liability and police department excessive force losses, \$67,691,000 for workers' compensation, and \$4,505,000 for hospitalization and unemployment have been accrued in the government-wide financial statements in the total amount of \$180,987,000.

Changes to the City's claims liability amounts in fiscal 2008 and 2007 are as follows (amounts in thousands):

	<u>Beginning of fiscal year liability</u>	<u>Claims and changes in estimates</u>	<u>Benefit payments, claims, and adjustments</u>	<u>Balance at fiscal year-end</u>	<u>Short-term Portion</u>
General liability and police liability:					
2007	\$ 204,507	(28,482)	(3,414)	172,611	7,000
2008	172,611	21,026	(85,205)	108,432	4,000
Workers' compensation:					
2007	49,281	13,581	(13,689)	49,173	13,689
2008	49,173	34,864	(16,346)	67,691	16,345
Motor vehicle fleet:					
2007	698	57	(418)	337	337
2008	337	498	(476)	359	359
Hospitalization and unemployment:					
2007	5,009	52,257	(50,786)	6,480	6,480
2008	6,480	40,918	(42,893)	4,505	112
Total:					
2007	259,495	37,413	(68,307)	228,601	27,506
2008	228,601	97,306	(144,920)	180,987	20,816

***Federal Financial Assistance Questioned Costs***

The City receives federal financial assistance directly from federal agencies or passed through from other government agencies. Audits of the City's federal award programs periodically disclosed certain items or transactions as questioned costs. The ultimate resolution or determination as to whether the costs will be disallowed under the affected grants will be made by the various funding sources and cannot be determined at this time. The City believes disallowances, if any, will be immaterial to its financial position and operations.

CITY OF NEW ORLEANS, LOUISIANA

Notes to Basic Financial Statements

December 31, 2008

*Landfill Closing Costs*

The City owns two closed landfill sites located in the eastern portion of the City (Recovery I Landfill and Gentilly Landfill). State and federal laws require the City to cap the landfill and to monitor and maintain the site for 30 subsequent years. The Gentilly Landfill, which was closed in 1995, was reopened in 2005 under an agreement with a third party vendor. The agreement requires the vendor to pay a 3% royalty fee to the City and a fee equal to 50 cents per cubic yard of waste disposed at the site to be put in to trust to fund the future landfill post closure costs until such time that this liability becomes fully funded, as certified by the Louisiana Department of Environmental Quality (LDEQ). The City does not record this liability on its' books, as the third party vendor is contributing to the trust in accordance with the agreement. The Recovery I site was closed in June 2003 upon obtainment of the Closure Certificate from LDEQ.

Through the time of closure, in the government-wide financial statements, the City recognized a portion of the closure and postclosure care costs in each operating period although actual payouts will not occur until this landfill is capped and closed, respectively. The amount recognized each year to date was based on the landfills' capacities used as of the balance sheet date. As of December 31, 2008, the City has estimated its liability at \$6,288,000.

These amounts are based on what it would cost to perform all closure and postclosure care beginning in 2007 for a 30 year period, adjusted for annual cost increases of 3%. Actual cost may be higher due to inflation, changes in technology, or changes in regulations, and may need to be covered by charges from future tax revenue. Current funding of these costs comes from the General Fund.

*Prior Years' Defeased Bonds*

In prior years, the City entered into advance refunding transactions whereby it issued General Obligation Refunding Bonds to effect early retirement of certain General Obligation Bonds. The net proceeds of these refunding bonds were placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for payment of all principal and interest on the refunded bonds. Accordingly, the escrow accounts and the refundable bonds are no longer included on the City's basic financial statement of net assets. The outstanding balance of the refunded bonds at December 31, 2008 is as follows (amounts in thousands):

	<u>2007</u>	<u>Payments</u>	<u>2008</u>
1999 Public Improvement Bond	\$ 27,005	-	27,005

*Arbitrage*

The City has issued tax-exempt bonds that are subject to arbitrage regulations of the Internal Revenue Service, which impose restrictions on the use of proceeds from tax-exempt bonds. If certain of these restrictions are not complied with, the bonds could lose their tax-exempt status retroactive to the date of original issuance and also result in the City being subject to arbitrage rebates. The City believes it is in compliance with the arbitrage regulations with respect to all of its tax-exempt bond issues.

**CITY OF NEW ORLEANS, LOUISIANA**

Notes to Basic Financial Statements

December 31, 2008

**(13) Restatement**

During 2008, the City identified several adjustments which impacted prior year financial statements. A summary of the impact of these adjustments is as follows. The impact on fund balance was as follows:

Fund balance, as previously reported, December 31, 2007	\$ 456,678
Prior period adjustments	
FEMA Special Revenue Fund related to intergovernmental revenue	993
Federal UDAG Fund due to over-accrued expense	738
Capital Projects related to deferred revenue	(6,529)
General fund related to unrecorded investments	2,426
	<u>(2,372)</u>
Fund balance, as restated, December 31, 2007	\$ <u>454,306</u>

The impact on net assets was as follows:

Net assets, as previously reported, December 31, 2007	\$ 71,529
Prior period adjustments	
Related to unrecorded revenue	993
Related to over-accrued expenses	738
Related to deferred revenue	(6,529)
Unrecorded assets	8,265
	<u>3,467</u>
Net assets, as restated, December 31, 2007	\$ <u>74,996</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF NEW ORLEANS, LOUISIANA**

Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund

Year ended December 31, 2008

(Amounts in thousands)

	<u>Original budget</u>	<u>Revised budget</u>	<u>Actual on budgetary basis</u>	<u>Variance favorable (unfavorable)</u>
<b>Revenues:</b>				
Taxes	\$ 243,313	243,667	239,350	(4,317)
Licenses and permits	48,005	48,005	60,241	12,236
Intergovernmental	10,024	10,024	19,044	9,020
Charges for services	41,896	41,940	44,116	2,176
Fines and forfeits	25,144	25,144	16,300	(8,844)
Interest income	15,176	15,176	9,488	(5,688)
Contributions, gifts, and donations	5,234	588	851	263
Miscellaneous	3,674	9,573	10,733	1,160
<b>Total revenues</b>	<u>392,466</u>	<u>394,117</u>	<u>400,123</u>	<u>6,006</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	103,007	124,453	162,434	(37,981)
Public safety	213,865	218,083	157,886	60,197
Public works	60,080	61,580	83,037	(21,457)
Health and human services	10,533	10,578	13,494	(2,916)
Culture and recreation	21,720	23,428	17,547	5,881
<b>Debt service:</b>				
Principal retirement	25,318	25,318	25,318	—
Interest and fiscal charges	39,801	21,238	22,362	(1,124)
Other, net	—	—	—	—
<b>Total expenditures</b>	<u>474,324</u>	<u>484,678</u>	<u>482,078</u>	<u>2,600</u>
<b>(Deficiency) excess of revenues over expenditures</b>	<u>(81,858)</u>	<u>(90,561)</u>	<u>(81,955)</u>	<u>8,606</u>
<b>Other financing sources (uses):</b>				
Operating transfers in	14,575	14,885	13,938	(947)
Proceeds from notes payable	44,848	44,848	12,345	(32,503)
Operating transfers out	—	—	(1,387)	(1,387)
Appropriations from prior year budgetary fund balance	22,435	30,828	40,828	10,000
Reduction in prior year's outstanding encumbrances	—	—	5,481	5,481
Other	—	—	24,270	24,270
<b>Total other financing sources (uses)</b>	<u>81,858</u>	<u>90,561</u>	<u>95,475</u>	<u>4,914</u>
<b>(Deficiency) excess of revenues and other financing sources over expenditures and other financing uses</b>	<u>\$ —</u>	<u>—</u>	<u>13,520</u>	<u>13,520</u>
Fund balances, beginning of year			81,094	
Less appropriation from beginning of year fund balance			<u>(40,828)</u>	
Fund balances – budgetary basis, end of year			<u>\$ 53,786</u>	

See accompanying independent auditors' report.

CITY OF NEW ORLEANS, LOUISIANA

Budget to GAAP Reconciliation

(Unaudited)

The Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual presents comparisons of the legally adopted original budget and final budget (non-GAAP basis) with actual data on a budgetary basis. In the general fund, accounting principles applied for purposes of developing data on the budgetary basis differ from those used to present financial statements in conformity with GAAP.

A reconciliation of this basis and timing differences is presented below (amounts in thousands):

Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses (budgetary basis)	\$	13,520
Adjustments:		
To adjust revenues for accruals and deferrals		(14,778)
Appropriation from beginning of year fund balance		<u>(35,347)</u>
Net change in fund balance	\$	<u><u>(36,605)</u></u>

See accompanying independent auditors' report.

**CITY OF NEW ORLEANS, LOUISIANA**

Schedule of Funding Progress

Required Supplementary Information Under GASB Statement No. 27

Year ended December 31, 2008

(Unaudited)

(Amounts in Thousands)

Actuarial valuation date	Value of assets (a)	Actuarial accrued liability (AAL) (b)	Excess of assets over AAL (a-b)	Funded ratio (a/b)	Covered payroll (c)	Excess as percentage of covered payroll ((a-b)/c)
<b>Employees' Retirement System:</b>						
12/31/06	403,370	378,794	24,576	106.49	52,985	46.38
12/31/07	398,491	423,794	(25,303)	94.03	63,457	(39.87)
12/31/08	381,604	450,943	(69,339)	84.62	78,846	(87.94)
<b>Police Pension Fund:</b>						
12/31/06	1,648	1,626	22	101.35	—	N/A
12/31/07	1,635	1,613	22	101.36	—	N/A
12/31/08	1,622	1,600	22	101.38	—	N/A
<b>Firefighters' Pension and Relief Fund (Old System):</b>						
12/31/06	20,215	165,856	(145,641)	12.19	—	N/A
12/31/07	19,037	170,527	(151,490)	11.16	—	N/A
12/31/08	16,859	168,202	(151,363)	10.01	—	N/A
<b>Firefighters' Pension and Relief Fund (New System):</b>						
12/31/07	229,317	300,189	(70,872)	76.39	22,459	(315.56)
12/31/08	212,727	321,387	(108,660)	66.19	22,735	(477.94)

See accompanying independent auditors' report.

**CITY OF NEW ORLEANS, LOUISIANA**  
 Schedule of Funding Progress  
 Required Supplementary Information Under GASB Statement No. 45  
 Year ended December 31, 2008  
 (Unaudited)  
 (Amounts in Thousands)

Actuarial valuation date	Value of assets (a)	Actuarial accrued liability (AAL) (b)	Excess of assets over AAL (a-b)	Funded ratio (a/b)	Covered payroll (c)	Excess as percentage of covered payroll ((a-b)/c)
12/31/07	—	398,422	(398,422)	—	198,626	(200.59)
12/31/08	—	426,450	(426,450)	—	226,764	(188.06)

See accompanying independent auditors' report.

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## CITY OF NEW ORLEANS, LOUISIANA

### Notes to Required Supplementary Information

Year ended December 31, 2008

(Unaudited)

Required Supplementary Information includes budgetary comparisons for the General Fund and the Schedules of Funding Progress.

#### **(1) Budgetary Data**

The procedures used by the City in establishing the general fund budgetary data are as follows:

- Not later than November 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted, after proper official public notification, to obtain taxpayer comments.
- Not later than December 1, the budget is legally enacted through passage of an ordinance.
- The City's budget ordinance is structured such that revenues are budgeted by source, and expenditures are budgeted by department and by principal object classification within a department. The City's charter provides that expenditures may not legally exceed appropriations either at a departmental level or at the principal object classification within a department.

The Mayor's office is allowed to authorize the transfer of budgeted amounts from one budget activity to another within a principal object classification within the same department. Budgetary transfers between principal object classifications of the same department or between departments must be approved by the City Council. Throughout the year, several amendments to the budget were made by the City Council. There were no supplemental appropriations necessary during the current year.

- The City utilizes formal budgetary integration as a management control device during the year for the general and capital projects funds. Formal budgetary integration is not employed for the debt service and special revenue funds because effective budgetary control is alternatively achieved through other provisions.
- Unencumbered appropriations lapse at year-end. Current year transactions, which are directly related to a prior year's budget, are not rebudgeted in the current year.
- The City adopts an ordinance subsequent to year end to agree the final budgeted expenditures to actual expenditures.

#### **(2) Schedules of Funding Progress**

The actuarial value of assets for the Old System does not include contributions receivable of \$13,720,000, \$41,700,000, and \$55,168,000 for the years ended December 31, 2008, 2007, and 2006, respectively. For actuarial purposes, contribution receivable is not deemed to be an asset of the fund. However, for the purposes of the calculation of the prepaid pension asset, the contribution receivable is included in the actuarial value of plan assets in accordance with U.S. generally accepted accounting principles.

**CITY OF NEW ORLEANS, LOUISIANA**  
Notes to Required Supplementary Information  
Year ended December 31, 2008  
(Unaudited)

The Firefighters' Pension and Relief Fund (New System) uses the aggregate actuarial cost method; therefore, a schedule of funding progress is not required when this method is used in determining funding requirements because this method does not separately identify an actuarial accrued liability.

**CITY OF NEW ORLEANS**

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**SINGLE AUDIT REPORT  
FOR THE YEAR ENDED  
DECEMBER 31, 2008**

**CITY OF NEW ORLEANS  
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**INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**



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

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

## INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

We have audited the Schedule of Expenditures of Federal Awards of the City of New Orleans (the City) for the year ended December 31, 2008. The Schedule of Expenditures of Federal Awards 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 part of the basic financial statements of the City of New Orleans for the year ended December 31, 2008. (The basic financial statements of the City of New Orleans for the year ended December 31, 2008 are audited by other auditors whose opinion dated June 30, 2009 expressed an unqualified opinion on those financial statements). The Schedule of Expenditures of Federal Awards is the responsibility of the management of the City. Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule of Expenditures of Federal Awards presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Schedule of Expenditures of Federal Awards of the City of New Orleans for the year ended December 31, 2008 is fairly stated, in all material respects, in relation to the basic financial statements of the City of New Orleans taken as a whole.

**INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

---

To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

Page 2

As discussed, in Note 5 the City of New Orleans is subject to audit by Federal agencies or their designees for compliance with contractual and programmatic requirements with regard to its Federal programs for the year ended December 31, 2008. The determination of whether any instances of noncompliance that will ultimately result in the remittance of any ineligible and disallowed costs cannot be presently determined.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 19, 2009

**SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Agriculture</u></b>			
<b><u>Direct Awards</u></b>			
Agricultural Research - Basic and Applied	10.001	----	\$ <u>261,294</u>
Subtotal - Direct Awards			<u>261,294</u>
<b><u>Pass-Through Awards</u></b>			
State of Louisiana Department of Social Services: Special Supplemental Nutrition Program for Women, Infants and Children - Administrative Costs	10.557	CFMS641737	258,461
Special Supplemental Nutrition Program for Women, Infants and Children - Food Issuance (NOTE 13)	10.557	CFMS641737	3,307,700
Associated Catholic Charities: Commodity Supplemental Food Program	10.565	CSFP2008	<u>143,676</u>
Subtotal - Pass-Through Awards			<u>3,709,837</u>
<b>Total U.S. Department of Agriculture</b>			<u>3,971,131</u>
<b><u>U.S. Department of Commerce</u></b>			
<b><u>Direct Awards</u></b>			
Minority Business Enterprise Centers	11.800	----	<u>145,500</u>
<b><u>Pass-Through Awards</u></b>			
State of Louisiana Department of Natural Resource: Coastal Zone Management Administration	11.419	2503-05-07	21,699
Coastal Zone Management Administration	11.419	2503-08-58	<u>18,569</u>
Subtotal - Pass-Through Awards			<u>40,268</u>
<b>Total U.S. Department of Commerce</b>			<u>185,768</u>

See the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Defense</u></b>			
<b><u>Direct Awards</u></b>			
Community Base Reuse Plans	12.612	----	\$ 208,655
<b>Total U.S. Department of Defense</b>			<b>208,655</b>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
<b><u>Direct Awards</u></b>			
Community Development Block Grant	14.218	----	11,378,528
Urban Development Action Grants-Grantee Loans (NOTE 6)	14.221	----	5,871,859
Urban Development Action Grants-Grantee Loans- Program Income	14.221	----	1,701,457
Emergency Shelter Grants Program	14.231	----	1,003,266
Shelter Plus Care	14.238	----	529,922
Home Investment Partnership Program	14.239	----	5,337,550
Housing Opportunities for Persons with AIDS	14.241	----	3,793,919
Brownsfield Economic Development Initiative- Grantee Loan (NOTE 8)	14.246	----	500,000
Community Development Block Grant-Section108 Guarantee Loans (NOTE 7)	14.248	----	30,344,000
Community Development Block Grant-Section108 Guarantee Loan-Program Income	14.248	----	1,606,343
Lead-Based Paint Hazard Control	14.900	----	42,190
<b>Subtotal - Direct Awards</b>			<b>62,109,034</b>
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
Disaster Community Development Block Grant	14.218	CFMS 661158	1,792,849
Emergency Shelter Grants Program	14.231	CFMS-Variou	440,978
<b>Subtotal - Awards from Pass-Through Entities</b>			<b>2,233,827</b>
<b>Total U.S. Department of Housing and Urban Development</b>			<b>64,342,861</b>

See the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Interior</u></b>			
<b><u>Direct Awards</u></b>			
Urban Bird Treaty	15.FFC		\$ 13,266
Outdoor Recreation, Acquisition, Development and Planning	15.916		616,338
Subtotal - Direct Awards			<u>629,604</u>
<b>Total U.S. Department of Interior</b>			<u>629,604</u>
<b><u>U.S. Department of Justice</u></b>			
<b><u>Direct Awards</u></b>			
Supervised Visitation and Safe Havens for Children	16.527	----	141,716
Edward Byrne Memorial Formula Grant Program	16.579	----	4,798
Grants to Encourage Arrest Policies	16.590	----	394,512
Public Safety Partnership and Community Policing	16.710	----	7,626
Edward Byrne Memorial Justice Assistance Grant Program	16.738	----	505,396
Adam Walsh Implementation Grant	16.750	----	43,837
Secure Our Schools	16.CKWX	----	37,348
Corruption Task Force	16.DDBX	----	548,764
Congressional Earmarking Grant	16.DDBX	----	690,650
High Intensity Drug Trafficking Act	16.PGCP		27,777
Subtotal - Direct Awards			<u>2,402,424</u>
<b><u>Passed - Through Awards</u></b>			
State of Louisiana Commission on Law Enforcement:			
Juvenile Justice and Delinquency Prevention	16.540	J05-9-ADM	38,392
Justice Research, Evaluation and Development Grants	16.560	G05-8-006	120,225
Crime Victim Assistance	16.575	C04/05-9-ADM	5,950
Edward Byrne Memorial Formula Grant Program	16.579	Various	80,663
Violence Against Women Formula Grants	16.588	M05/61-9/8-001/016	75,341
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Y06-8-028 & 001	1,603,315
Subtotal - Awards from Pass-Through Entities			<u>1,923,886</u>
<b>Total U.S. Department of Justice</b>			<u>4,326,310</u>

See the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Labor</u></b>			
<b><u>Passed - Through Awards</u></b>			
State of Louisiana Department of Labor:			
Workforce Investment Act-Adult	17.258	AA-102250-00-50	\$ 2,497,906
Workforce Investment Act-Youth	17.259	AA-102250-00-50	1,315,089
Workforce Investment Act-Dislocated Worker	17.260	AA-102250-00-50	587,244
Workforce Investment Act-Job Readiness	17.ST07	LWIA121ST07	136,289
Workforce Investment Act-Job Readiness	17.ST08	LWIA121ST08	104,471
Workforce Investment Act-Workforce Incentive Grants	17.260	CFMS602798	<u>6,481,656</u>
Subtotal - Awards from Pass-Through Entities			<u>11,122,655</u>
Total U.S. Department of Labor			<u>11,122,655</u>
<b><u>U.S. Department of Transportation</u></b>			
<b><u>Direct Awards</u></b>			
Airport Improvement Program-New Orleans Aviation Board	20.106	-----	<u>2,813,061</u>
Subtotal - Direct Awards			<u>2,813,061</u>
<b><u>Passed - Through Awards</u></b>			
State of Louisiana Department of Transportation:			
State and Community Highway Safety Grants	20.600	Various	<u>6,085,270</u>
Subtotal - Awards from Pass-Through Entities			<u>6,085,270</u>
Total U.S. Department of Transportation			<u>8,898,331</u>
<b><u>U.S. Environmental Protection Agency</u></b>			
<b><u>Direct Awards</u></b>			
New Orleans Brownsfield Project - Site Assessment and Cleanup Cooperative Agreements	66.818	-----	<u>46,093</u>
Subtotal - Direct Awards			<u>46,093</u>
Total U.S. Environmental Protection Agency			<u>46,093</u>

See the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Energy</u></b>			
<b><u>Direct Awards</u></b>			
Energy Efficiency and Renewable Energy Information Grants	81.117	----	\$ <u>53,792</u>
Subtotal - Direct Awards			<u>53,792</u>
Total U.S. Department of Energy			<u>53,792</u>
<b><u>U.S. Department of Health and Human Services</u></b>			
<b><u>Direct Awards</u></b>			
Consolidated Health Centers - Healthcare for the Homeless	93.224	----	1,272,625
Center for Disease Control and Prevention-Asthma, Diabetes and Obesity	93.283	----	1,467,528
HIV Emergency Relief Project Grant-Ryan White Program	93.914	----	8,397,170
Healthy Start Initiative-Great Expectations Program	93.926	----	<u>2,020,691</u>
Subtotal - Direct Awards			<u>13,158,014</u>
<b><u>Passed - Through Awards</u></b>			
State of Louisiana Department of Health and Hospitals:			
Early Periodic Screening, Diagnosis and Treatment	93.---	1410012/1441449	285,122
Early Periodic Screening, Diagnosis and Treatment	93.---	N/A	195,337
Building Improvement Grant	93.---	N/A	20,226
Centers for Disease Control and Prevention - Investigation and Technical Assistance	93.283	N/A	9,193
Violence Prevention	93.591	K08-203	91,744
CMS Research, Demonstration and Evaluation Grants	93.779	K07-551	459,051
Preventative Health and Health Services Block Grant	93.991	N/A	153,967
Preventative Health and Health Services Block Grant	93.991	DHH049010	90,939
Maternal and Child Health Services Block Grant	94.994	DHH654778/668437	<u>19,021</u>
Subtotal - Awards from Pass-Through Entities			<u>1,324,600</u>
Total U.S. Department of Health and Human Services			<u>14,482,614</u>

See the Notes to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>FEDERAL CFDA or OTHER NUMBER</u>	<u>PASS- THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
<b><u>U.S. Department of Homeland Security</u></b>			
<b><u>Direct Awards</u></b>			
Emergency Food and Shelter	97.024	----	\$ 24,120
Assistance to Firefighters Grant	97.044	----	435,564
Metropolitan Medical Response	97.071	----	206,599
Subtotal - Direct Awards			<u>666,283</u>
<b><u>Passed - Through Awards</u></b>			
State of Louisiana			
State Homeland Security Grants	97.004	2005-GET-5004S	321
State Homeland Security Grants	97.004	2006-GET-0069S	79,889
State Homeland Security Grants	97.004	2007-GET-7019S	23,425
Urban Areas Security Initiatives	97.008	2005-GET-5004U	56,863
Urban Areas Security Initiatives	97.008	2006-GET-0069U	314,835
Urban Areas Security Initiatives	97.008	2007-GET-7019U	245,036
Pre-Disaster Mitigation Competetitive Grants	97.017	PDML0707101	7,077
Pre-Disaster Mitigation Competetitive Grants	97.017	CFMS661242	104,973
Special Community Disaster Loans	97.030	EMT-2006-LF-1603LA03	120,000,000
Special Community Disaster Loans	97.030	EMT-2006-LF-1603LA03A	84,731,134
Emergency Management-State and Local Assistance	97.036	071-55000	133,919,191
Citizens Corps	97.053	2005GET5004C	2,355
Citizens Corps	97.053	2007GET7019C	2,014
Law Enforcement Terrorism Prevention Program	97.074	2005GET5004L	1,574
Law Enforcement Terrorism Prevention Program	97.074	2006GET0069	934,486
Buffer Zone Protection Program	97.078	2007BZT70025	12,920
Subtotal - Awards from Pass-Through Entities			<u>340,436,093</u>
<b>Total U.S. Department of Homeland Security</b>			<u>341,102,376</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 449,370,190</u>

See the Notes to the Schedule of Expenditures of Federal Awards.

**NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS**

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 1 – BACKGROUND:**

The City of New Orleans (the City) was incorporated in 1805. The City's system of government is established by the Home Rule Charter which became effective in 1954. The City operates under a Mayor-Council form of government. The City provides the following types of services as authorized by its charter: public health and safety, streets, sanitation, water and sewerage, planning and zoning, recreation and general and administrative services. Education and welfare are administered by other governmental entities.

**NOTE 2 – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of the City that were received directly from Federal agencies or passed through other entities and governmental agencies.

The City has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. OMB Circular A-133 stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each Federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

**NOTE 3 – BASIS OF ACCOUNTING/PRESENTATION:**

Grant expenditures in the Schedule of Expenditures of Federal Awards are generally recognized under the modified accrual basis of accounting when the related liability is incurred, if measurable. Vacation and sick leave are recognized when paid. Current grant expenditures include direct expenditures and expenditures of federal awards passed through other governmental agencies.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards in conformity with accounting principles generally accepted in the United States of America requires management to make certain assumptions that affect the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 4 – QUESTIONED COSTS:**

The City has expended in previous years certain federal grant funds in a manner that may have violated certain provisions of the related compliance requirements and grant agreements. The related questioned costs amounts as reported in the current and prior Single Audit reports pertinent to such issues excluding audit findings that are no longer applicable based on the provisions of OMB Circular A-133, Section 315(b)(4) are as follows:

<u>Program Year</u>	<u>Amount</u>
<u>City of New Orleans</u>	
December 31, 2005 through 2007	\$ 1,788,217
December 31, 2008	<u>358,231</u>
 Total	 <u>\$ 2,146,448</u>

The ultimate resolution or determination as to whether the questioned cost will be allowable or unallowable related to the applicable grants will be made by the applicable funding sources and cannot be determined at this time. As such, management of the City is presently unable to determine a reasonable estimate of any possible Federal claims for refunds of the applicable grant funds. Accordingly, no provision or adjustment has been made to the Schedule of Expenditures of Federal Awards.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 5 – INELIGIBLE, DISALLOWED AND QUESTIONED COSTS:**

The City of New Orleans is subject to audit by Federal agencies or their designees for compliance with contractual and programmatic requirements with regard to Federal programs administered by the City of New Orleans. The determination of whether any instances of noncompliance that will ultimately result in the remittance of any ineligible or disallowed cost cannot be presently determined. When applicable, the repayment of any remaining ineligible and disallowed costs shall be funded from non-federal funds.

**NOTE 6 – GRANTEE LOANS – URBAN DEVELOPMENT ACTION GRANTS:**

The City has received certain grant awards from the United States Department of Housing and Urban Development (HUD) for the purpose of providing loans to the private sector for completion of projects that will stimulate economic development activity in the City. Twelve (12) of these loans are outstanding at December 31, 2007, totaling \$5,872,299 which bear interest at rates ranging from zero percent (0%) to seven percent (7%). These loans are receivable over a fifteen (15) to thirty (30) year period and are recorded as loans receivable at December 31, 2008. Once the loan payments are received and the project is accepted by HUD, the City may use the amounts received for other allowable economic development activities as specified in the grant agreement.

During the year ended December 31, 2000, the City utilized \$1,000,000 of UDAG program income to fund the American Can Project. Such funding was in the form of a loan which bears interest at 2% and matures in January 2040.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 7 – HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS:**

The City has entered into contracts for Loan Guarantee Assistance under Section 108 of the Housing and Community Development Act of 1974, with the Secretary of Housing and Urban Development (HUD) as guarantor. The City received these loans in order to fund its commitments to Jazzland, American Can, Palace of the East, LLC and Louisiana Artist Guild Projects. During the years prior to and as of December 31, 2005, \$25,300,000 was disbursed to Jazzland; \$5,000,000 was disbursed to the American Can Project; \$5,000,000 was disbursed to the Palace of the East, LLC (Grand Theatre) and \$7,100,000 to Louisiana Artist Guild.

These loans consist of notes bearing interest at 8.70% to 8.75% or variable interest rates based on the London Inter-bank Offered Rate (LIBOR). As of December 31, 2008, the entire remaining balance of \$41,462,720 due from these entities is recorded as a receivable in the City's financial statements and the balance due HUD of \$32,405,000 is recorded as a payable in the City's financial statements and reflected in the Schedule of Expenditures of Federal Awards.

On February 28, 2002, Jazzland filed a Chapter 11 bankruptcy proceeding and as a result the City restructured the financing naming the New Orleans Industrial Development Board, who acquired certain assets of Jazzland, as the new obligator of the Jazzland loan. Pursuant to that agreement, monthly rental payments of \$116,667 are received from the New Orleans Industrial Development Board and recognized as rental income by the City to defray the required debt service payments to HUD by the City.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 7 – HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS:**

The requirements to amortize the remaining Section 108 loans are as follows:

	<u>Due to HUD</u>	<u>Due from Projects</u>
<u>Jazzland Project</u>		
2009	\$ 1,420,000	\$ 24,375,518
2010	1,510,000	0
2011	1,610,000	0
2012	1,715,000	0
2013	1,830,000	0
Thereafter	<u>8,575,000</u>	<u>0</u>
	<u>16,660,000</u>	<u>24,375,518</u>
 <u>American Can Project</u>		
2009	250,000	218,432
2010	270,000	105,553
2011	280,000	107,680
2012	300,000	109,849
2013	320,000	112,063
Thereafter	<u>2,350,000</u>	<u>4,016,753</u>
	<u>3,770,000</u>	<u>4,670,330</u>
 <u>Grand Theatre Project</u>		
2009	230,000	1,112,190
2010	240,000	242,500
2011	250,000	252,500
2012	260,000	263,750
2013	275,000	278,750
Thereafter	<u>2,745,000</u>	<u>2,672,500</u>
	<u>4,000,000</u>	<u>4,822,190</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

**NOTE 7 – HOUSING AND URBAN DEVELOPMENT SECTION 108 LOANS:**

	<u>Due to HUD</u>	<u>Due from Projects</u>
<u>Louisiana Artist Guild</u>		
2009	\$ 282,000	\$ 1,760,825
2010	298,000	287,000
2011	316,000	308,000
2012	335,000	330,000
2013	355,000	354,000
Thereafter	<u>4,328,000</u>	<u>4,423,000</u>
	<u>5,914,000</u>	<u>7,462,825</u>
	<u>\$ 30,344,000</u>	<u>\$ 41,330,863</u>

**NOTE 8 – BROWNSFIELD ECONOMIC DEVELOPMENT INITIATIVE:**

During the year ended December 31, 2000, the City received a Brownsfield Economic Development Initiative (BEDI) grant in the amount of \$1,000,000 that was utilized to fund the City's American Can renewal project. The City disbursed \$500,000 to the project in the form of a grant and \$500,000 in the form of a loan required to be repaid at 2% interest. The loan matures in January, 2040. The requirements to amortize the BEDI loan are as follows:

	<u>Principal</u>
<u>American Can Project</u>	\$
2009	54,926
2010	10,553
2011	10,765
2012	10,982
2013	11,201
Thereafter	<u>401,573</u>
	<u>\$ 500,000</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 9 – CONTINGENCY:**

The City is the recipient of numerous Federal grants and awards. These grants and awards are governed by various Federal requirements, guidelines, regulations and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under control of the City and is subject to audit and review by the applicable funding sources. Any grant or award found not to be properly spent in accordance with the requirements, guidelines, regulations and contractual agreements of the funding source may be subject to recapture.

The audit of the Federal award programs of the City for the year ended December 31, 2008 disclosed instances of non-compliance that may be material to the Schedule of Expenditures of Federal Awards, but for which the ultimate resolution cannot be presently determined.

**NOTE 10 – MAJOR FEDERAL AWARDS PROGRAM:**

The City's major Federal awards programs for the year ended December 31, 2008 were determined based upon program activity. The City's "Type A" Federal awards programs for the year ended December 31, 2008 were all Federally assisted programs for which program activity was equal to or greater than \$3,000,000 during the year ended December 31, 2008.

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 11 – FEDERAL EXPENDITURES TO SUBRECIPIENTS:**

Included in the Federal expenditures presented in the Schedule of Expenditures of Federal Awards are outstanding loan and loan guarantees and Federal awards disbursed by the City to sub-recipients associated with its major Federal Award programs as follows:

<u>Program Title</u>	<u>CFDA #</u>	<u>Amount</u>
Community Development Block Grant	14.218	\$ 4,749,030
Urban Development Action Grants	12.221	5,871,859
Home Investment Partnership Program	14.239	3,880,246
Housing Opportunities for Persons with AIDS	14.241	3,620,634
Community Development Block Grant- Section 108 Guarantee Loans	14.248	41,330,863
Workforce Investment Act	17.258/17.259 17.260	8,521,830
HIV Emergency Relief Project Grant	93.914	5,435,065
		<u>\$ 73,409,527</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 12 – STATE GRANTS:**

The City receives non-Federal funds from the State of Louisiana to perform certain public programs. Expenditures and adjustments to expenditures for the year ended December 31, 2008 are as follows:

<u>State Grantor/Program Name</u>	<u>Contract Number</u>	<u>Amount</u>
<u>Louisiana Department of Health and Hospitals</u>		
School Based Clinics	DHH 049359	\$ 29,843
Strategic Prevention Framework	N/A	22,905
Crisis Trauma Center	CFMS 659199	88,936
		<u>141,684</u>
<u>Louisiana Department of Culture, Recreation and Tourism</u>		
Library State Aid	N/A	50,245
		<u>50,245</u>
<u>Louisiana Department of Public Safety</u>		
Red Light Enforcement Grant	CFMS 652347	33,530
		<u>33,530</u>
<u>Louisiana Commission on Law Enforcement</u>		
Electronic Equipment Grant	P08-9-001	9,337
Corrections Training	P08-8-COR	34,300
Corrections Training	P08-8-BAS	27,500
Peace Officer Standards and Training Grant	P06-9-ADM	9,501
Peace Officer Standards and Training Grant	P08-9-ADM	6,593
		<u>87,231</u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 12 – STATE GRANTS, continued**

<u>State Grantor/Program Name</u>	<u>Contract Number</u>	<u>Amount</u>
<u>Louisiana Department of Agriculture and Forestry</u>		
Supplemental Urban and Forestry Grant	CFMS 653883	\$ <u>9,606</u>
		<u>9,606</u>
<u>Louisiana Department of Economic Development</u>		
Renewal of Communities	08069-CORA	<u>27,154</u>
		<u>27,154</u>
<u>Louisiana Department of Transportation and Development</u>		
Earhart Corridor	742-07-26	<u>805,446</u>
		<u>805,446</u>
<u>Louisiana Department of Facility Planning and Control</u>		
Stadiums and Parks	N/A	<u>51,555</u>
		<u>51,555</u>
Total State Grant Expenditures		\$ <u><u>1,206,451</u></u>

**CITY OF NEW ORLEANS**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2008**

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**NOTE 13 – SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN – FOOD ISSUANCE**

The City, in conjunction with the State of Louisiana Department of Health and Hospitals, administers the Women, Infants and Children (WIC) Supplemental Food Issuance Program. As a result, eligible participants received WIC drafts to obtain WIC food packages totaling \$3,307,700.

**NOTE 14 – SPECIAL COMMUNITY DISASTER LOAN PROGRAM:**

On October 7, 2005, the Community Disaster Loan Act of 2005, P.L. 109-88 was signed into law. The Act provides for disaster assistance following Hurricane Katrina in Special Community Disaster Loans (CDL) to local governments affected by the hurricane. This Federal aid was made available to local governments specifically to replace revenues lost as the result of natural or man-made disasters. In November, 2005 and August 2006, the City executed promissory notes in the amount of \$120,000,000 each payable to the Federal Emergency Management Agency. The notes bear interest at rates of 2.75% and 2.93% with a due dates of November 14, 2010 and August 27, 2011, respectively. The normal term of CDL loans is five years. The loans typically take the form of a five-year balloon. That is, the full principal and accumulated interest are due all together at the end of the five-year term. The Associate Director of FEMA may consider requests for extension, based in the local government's financial condition. However, the total term of the loan may not exceed 10 years. For the year ended December 31, 2008, funds in the amount of \$34,372,730 were drawn-down under the terms of these loans and at December 31, 2008, the City had cumulatively drawn-down \$120,000,000 and \$84,731,134 respectively, of the promissory note amounts.

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

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

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To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

We have audited the Schedule of Expenditures of Federal Awards of the City of New Orleans (the City) as of and for the year ended December 31, 2008, and have issued our report thereon dated June 19, 2009. An explanatory paragraph was included in our report indicating that the City is subject to audit by Federal agencies or their designees for compliance with certain contractual and programmatic requirements with regard to its federal programs during the year ended December 31, 2008. The determination of whether any instances of noncompliance that will ultimately result in remittance of ineligible and disallowed cost cannot be presently determined. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the Schedule of Expenditures of Federal Awards but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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

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To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

**Internal Control Over Financial Reporting, continued**

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the City's Schedule of Expenditures of Federal Awards that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs in as item 2008-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

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

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To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's Schedule of Expenditures of Federal Awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of the Schedule of Expenditures of Federal Awards 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 or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we have reported to management of the City in a separate letter dated June 19, 2009.

The City's responses to the findings identified in our audit and to certain other matters that we have reported to management are described in a separate Corrective Action Plan. We did not audit the City's response contained in the Corrective Action Plan and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, the Mayor, management, the Louisiana Legislative Auditor and Federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 19, 2009

**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**

**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**

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To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

**Compliance**

We have audited the compliance of the City of New Orleans (the City) 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 each of its major Federal programs for the year ended December 31, 2008. The City's major Federal programs are identified in the Summary of Independent Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 with the types compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City'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 of the City's compliance with those requirements.

**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**

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To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

**Compliance, continued**

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2008. 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 are described in the accompanying schedule of findings and questioned cost as items 2008-02 through 2008-09.

**Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to Federal programs. In planning and performing our audit, we considered the City'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, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance.

A control deficiency in the City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

**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**

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To the Members of the City Council and the  
Honorable C. Ray Nagin, Mayor  
City of New Orleans  
New Orleans, Louisiana

**Internal Control Over Compliance, continued**

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be detected by the City's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's responses to the findings identified in our audit are described in a separate Corrective Action Plan. We did not audit the City's response, and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, the Mayor, management, the Louisiana Legislative Auditor and Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

*Bruno & Tervalon LLP*  
**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 19, 2009

**SCHEDULE I**

**SUMMARY OF INDEPENDENT AUDITORS'  
RESULTS**

SCHEDULE I

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

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1. Type of report issued on the Schedule of Expenditures of Federal Awards: **Unqualified**.
2. Did the audit disclose any material weaknesses in internal control over financial reporting? **No**.
3. Did the audit disclose any significant deficiencies in internal control over financial reporting that are not considered to be material weaknesses? **Yes**.
4. Did the audit disclose any non-compliance which is material to the Schedule of Expenditures of Federal Awards? **No. (However, an uncertainty exists whereby the ultimate resolution cannot be presently determined)**.
5. Did the audit disclose any material weaknesses in internal control over major Federal programs? **No**.
6. Did the audit disclose any significant deficiencies in internal control over major programs that are not considered to be material weaknesses? **None reported**.
7. Type of report issued on compliance for major programs: **Unqualified**.
8. Did the audit disclose any audit findings required to be reported in accordance with OMB Circular A-133, Section .510(a)? **Yes**.
9. Was a management letter issued? **Yes**.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**SUMMARY OF INDEPENDENT AUDITORS' RESULTS**

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10. Identification of Major Programs:

<u>CFDA #</u>	<u>Name of Federal Program</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children
14.218	Community Development Block Grant
14.221	Urban Development Action Grants-Grantee Loans
14.239	Home Investment Partnership Program
14.241	Housing Opportunities for Persons with AIDS
14.248	Community Development Block Grant - Section 108 Grantee Loans
17.258	Workforce Investment Act-Adult
17.259	Workforce Investment Act-Youth
17.260	Workforce Investment Act-Dislocated Worker
17.260	Workforce Investment Act-National Emergency Grant
20.600	State and Community Highway Safety
93.914	HIV Emergency Relief Project Grant-Ryan White
97.030	Special Community Disaster Loans
97.036	Emergency Management-State and Local Assistance

11. Dollar threshold used to distinguish between Type A and Type B Programs:  
\$3,000,000.

12. Is the auditee a "low-risk" auditee, as defined by OMB Circular A-133? No.

**SCHEDULE II**

**FINANCIAL STATEMENT FINDINGS**

**CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FINANCIAL STATEMENT FINDINGS**

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INTERNAL CONTROL OVER FINANCIAL REPORTING

2008-01 Schedule of Expenditures of Federal Awards

Conditions and Perspectives

During the course of our audit we noted weaknesses in internal controls over financial reporting involving the accuracy, completeness and consistency surrounding the preparation of the Schedule of Expenditures of Federal awards. These weaknesses included inconsistencies in the basis of accounting utilized in the preparation of Schedule of Expenditures of Federal awards versus that utilized in the preparation of the basic financial statements as well as weaknesses in the reconciliation procedures related to expenditures reflected in the Schedule of Expenditures of Federal awards to expenditures included in the basic financial statements.

Recommendation

We recommend that the internal control policies and procedures surrounding the accurate and timely preparation of the Schedule of Expenditures of Federal Awards be strengthened to ensure the accurate and timely preparation of the Schedule.

COMPLIANCE AND OTHER MATTERS

No matters were reported. We noted certain matters that we reported to management in a separate letter dated June 19, 2009.

**SCHEDULE III**

**FEDERAL AWARD FINDINGS AND QUESTIONED  
COSTS**

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-02 Eligibility

**Federal Program and Specific Federal Award Identification**

**Federal Agency/CFDA Number and Title**

U.S. Department of Agriculture

10.557 Special Supplemental Nutrition Program for Women,  
Infants and Children

**Federal Award Year**

December 31, 2008

**Pass-Through Entity**

State of Louisiana

**Criteria**

OMB Circular A-133 Compliance Supplement, Part 4, Section 4-10.557-9 states an applicant must meet the established income standard or determined to be automatically income-eligible based on documentation of his/her eligibility.

**Conditions and Perspectives**

We were unable to review documentation to independently determine that the applicant met the established income standard or was automatically income-eligible for thirty (30) of the thirty (30) certified eligible participants selected for testing. Additionally, for one (1) of the thirty (30) certified eligible participants, no documentation was provided by the participant to determine automatic or income-eligibility.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-02 Eligibility, continued

Cause

Lack of established procedures requiring record retention in participant's file of documentation provided by applicant utilized in determining that the applicant met the established income standard or was automatically income eligible to participate in the program

Questioned Costs

For the purposes of this finding, we have not questioned any costs.

Effect

We were unable to determine whether eligibility determinations were properly made (including obtaining any required documentation/verifications).

Recommendation

We recommend that policies and procedures be established to require retention of documentation provided by applicants utilized in determining applicant eligibility.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-03 Equipment and Real Property Management

Federal Program and Specific Federal Award Identification

Federal Agency/CFDA Number and Title

U.S. Department of Housing and Urban Development

14.218 Community Development Block Grant

Federal Award Year

December 31, 2008

Pass-Through Entity

Not Applicable

Criteria

OMB Circular A-133 Compliance Supplement, Part 3, Section 3-F-1 states that equipment records shall be maintained; a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records.

Conditions and Perspectives

We did not note any evidence that a physical inventory of equipment was taken at least once in the last two years.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-03 Equipment and Real Property Management, continued

Cause

The cause of this condition could not be determined.

Questioned Costs

For the purposes of this finding, we have not questioned any costs.

Effect

The City was did not appear to be in compliance with the requirement of the Equipment and Real Property Management – Inventory Management of Equipment compliance requirement.

Recommendation

We recommend that a physical inventory be taken at least once every two years and reconciled to the equipment records. Additionally, counts sheets and other documentary evidence of the physical inventory should be retained.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-04 Reporting

Federal Program and Specific Federal Award Identification

Federal Agency/CFDA Number and Title

U.S. Department of Housing and Urban Development  
14.218 Community Development Block Grant

Federal Award Year

December 31, 2008

Pass-Through Entity

Not Applicable

Criteria

Grantees may include reports generated by the Integrated Disbursement and Information System (IDIS) as part of their annual performance and evaluation report that must be submitted for the CDBG Entitlement Program 90 days after the end of a grantee's program year. Auditors are expected to test information extracted from IDIS for system generated reports CO4PRO3 – Activity Summary Report and CO4PR26 – CDBG Financial Summary.

Conditions and Perspectives

We noted un-reconciled difference between amounts reported in IDIS reports versus the comparable amounts as reflected in the accounting records. Additionally, were unable to obtain a detail of IDIS Report CO4PR26 Line 27 – Amounts disbursed in IDIS for Public Services and Line 37 – Amounts disbursed in IDIS for Planning and Administration in sufficient detail to permit testing.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-04 Reporting, continued

Cause

The cause of this condition could not be determined.

Questioned Costs

For the purposes of this finding, we have not questioned any costs.

Effect

Un-reconciled differences were noted between IDIS reports and accounting records and were unable to test certain information extracted from IDIS.

Recommendation

We recommend that internal control policies and procedures be strengthened regarding the accuracy of amounts reported in IDIS.

**CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-05 Matching, Level of Effort, Earmarking

**Federal Program and Specific Federal Award Identification**

**Federal Agency/CFDA Number and Title**

U.S. Department of Housing and Urban Development

14.239 Home Investment Partnership Program

**Federal Award Year**

December 31, 2008

**Pass-Through Entity**

Not Applicable

**Criteria**

OMB Circular A-133 Compliance Supplement, Part 4, Section 4-14.239-4 states that each participating jurisdiction must provide eligible matching contributions of 25 percent of HOME funds drawn down during the fiscal year. Some participating jurisdictions are eligible for a reduction in the required match based upon meeting standards of distress or if they are in Presidentially declared disaster areas. (The City's matching requirement for the year ended December 31, 2008 was 12.5 percent).

**Conditions and Perspectives**

The City has not fully documented its compliance with the HOME matching require of 12.5 percent (\$358,231) of home funds drawn down (\$2,865,851) during the year ended December 31, 2008.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-05 Matching, Level of Effort, Earmarking, continued

**Cause**

A system of reporting, tracking and monitoring of sub-recipient data has not been completely established

**Questioned Costs**

For the purposes of this finding, we have questioned cost of \$358,231.

**Effect**

The City is not in compliance with the HOME matching requirements.

**Recommendation**

We recommend that internal control policies and procedures be strengthened to ensure that all matching funds are properly reported, tracked and monitored in accordance with the HOME program compliance requirements.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-06 Reporting

**Federal Program and Specific Federal Award Identification**

**Federal Agency/CFDA Number and Title**

U.S. Department of Housing and Urban Development

14.241 Housing Opportunities for Persons with AIDS

**Federal Award Year**

December 31, 2008

**Pass-Through Entity**

Not Applicable

**Criteria**

OMB Circular A-133 Compliance Supplement, Part 4, Section 4-14.241-4 states HUD-40110, *Annual Progress Report (OMB No. 2506-0133)* is due from each grantee within 90 days after the close of its program year. The auditor is expected to test the financial data which is found in part 3, Program Expenditures and Housing Provided.

**Conditions and Perspectives**

In the course of testing the financial data contained in HUD-40110 we noted a difference of approximately \$321,000 between program year expenditures as reflected in the HUD-40110 and expenditures in the general ledger of the City. Additionally, HOPWA expenditures per the Integrated Disbursement and Information System (IDIS) report C04PR72 did not agree to the amounts contained in the HUD-40110 nor the general ledger.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-06 Reporting, continued

**Cause**

The cause of this condition could not be determined.

**Questioned Costs**

For the purposes of this finding, we have not questioned any costs.

**Effect**

Unreconciled differences between amounts reported in the HUD-40110 and the corresponding accounting books and records and lack of IDIS supporting documentation.

**Recommendation**

We recommend that all financial data reported in HUD-40110 be reconciled to the applicable accounting books and records and IDIS reports.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-07 – Activities Allowed or Unallowed

**Federal Program and Specific Federal Award Identification**

**Federal Agency/CFDA Number and Title**

U.S. Department of Homeland Security

97.036 Emergency Management-State and Local Assistance

**Federal Award Year**

December 31, 2008

**Pass-Through Entity**

State of Louisiana

**Criteria**

OMB Circular A-133 Compliance Supplement, Part 4, Section 4-97.036-4 states the allowed activities for the Public Assistance (PA) program are for the approved project as described on the Project Worksheet (PW) and supporting documentation.

**Conditions and Perspectives**

During the course of our test work we noted weaknesses in internal control as it pertains to the classification and identification of Federal Emergency Management Agency (FEMA) which resulted in the following:

- For seven (7) of the thirty-two (32) disbursements examined, management was unable to identify the applicable PW and whether the expenditures were requested for reimbursement and the funds ultimately received; and
- For two (2) of the thirty-two (32) disbursements examined, as a result of our test work the Schedule of Expenditures of Federal Awards was adjusted to exclude these expenditures ultimately determined not to be chargeable to the grant.

**CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-07 – Activities Allowed or Unallowed, continued

**Cause**

Weaknesses in policies and procedures related to the identification and classification of grant eligible expenditures.

**Questioned Costs**

For the purposes of this finding, we have not questioned any costs.

**Effect**

We were unable to determine the allowability of the above referenced expenditures.

**Recommendation**

We recommend that internal control policies and procedures be strengthened to ensure the proper identification and classification of grant eligible expenditures.

**CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-08 Cash Management

**Federal Program and Specific Federal Award Identification**

**Federal Agency/CFDA Number and Title**

U.S. Department of Homeland Security

97.036 Emergency Management-State and Local Assistance

**Federal Award Year**

December 31, 2008

**Pass-Through Entity**

State of Louisiana

**Criteria**

OMB Circular A-133 Compliance Supplement, Part 3, Section C states interest earned on advances by local government grantees and sub-grantees is required to be submitted promptly, but at least quarterly, to the Federal agency.

**Conditions and Perspectives**

During the course of our test work we noted that while the CNO was calculating interest earned on advances, remittance was not being submitted promptly or on a quarterly basis.

**Cause**

We were unable to determine the cause of this condition.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-08 Cash Management, continued

Questioned Costs

For the purposes of this finding, we have not questioned any costs.

Effect

The CNO is not in compliance with Cash Management compliance requirements.

Recommendation

We recommend the CNO remit interest earned on advances in a timely manner.

**CITY OF NEW ORLEANS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

---

**FEDERAL COMPLIANCE**

**Audit Finding Reference Number**

2008-09 Reporting

**Federal Program and Specific Federal Award Identification**

All major Federal award programs (See SCHEDULE I).

**Federal Award Year**

December 31, 2008

**Pass-Through Entity**

State of Louisiana

**Criteria**

OMB Circular A-133 Subpart C, § .300 states the auditee shall identify in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of Federal agency and name of the pass-through entity. Additionally, the auditee shall maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.

**Conditions and Perspectives**

During the course of our audit we noted weaknesses in internal controls involving the accuracy, completeness and consistency surrounding the preparation of the Schedule of Expenditures of Federal awards. These weaknesses included inconsistencies in the basis of accounting utilized in the preparation of the Schedule of Expenditures of Federal awards versus that utilized in the preparation of the basic financial statements, as well as, weaknesses in the reconciliation procedures related to expenditures reflected in the Schedule of Expenditures of Federal awards to expenditures included in the basic financial statements.

**CITY OF NEW ORLEANS**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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FEDERAL COMPLIANCE

Audit Finding Reference Number

2008-09 Reporting, continued

Cause

There appears to be no reconciliation process between the Schedule of Expenditures of Federal awards and the basic financial statements.

Questioned Costs

For the purposes of this finding, we have not questioned any costs.

Effect

These weaknesses impact the accurate and untimely preparation of the Schedule of Expenditures of Federal awards.

Recommendation

We recommend that the internal control policies and procedures surrounding the accurate and timely preparation of the Schedule of Expenditures of Federal Awards be strengthened to ensure the accurate and timely preparation of the Schedule.

## **EXIT CONFERENCE**

## **CITY OF NEW ORLEANS EXIT CONFERENCE**

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An exit conference and other meetings were held with the City of New Orleans to discuss the Single Audit report. Those who were in attendance and participated in those discussions are noted below. The applicable sections of the Single Audit report were also discussed with the respective fiscal and programmatic department heads and staff.

### **CITY OF NEW ORLEANS**

Councilmember Cynthia Hedge-Morrell	-- Chairperson, Budget/Audit/BoR Committee
Council President Arnie Fielkow	-- Member, Budget/Audit/BoR Committee
Councilmember Stacy S. Head	-- Member, Budget/Audit/BoR Committee
Ms. Julie Schwam Harris	-- Director, Federal and State Programs
Mr. Charles Winchester	-- Director, Compliance and Monitoring
Mr. Reginald Zeno	-- Director, Finance
Mr. Derrick Muse	-- Deputy Director of Finance
Mr. Kim Delarge	-- Comptroller

### **BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA	-- Managing Partner
Mr. Armand E. Pinkney	-- Engagement Manager

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Sub-recipient Monitoring

Reference Number(s): 2005-01  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

Not Applicable

Page Number (from Single Audit Report): 29

CFDA Numbers and Program Name(s): 14,218 – Community Development Block Grant; 14.221 Urban Development Action Grants-Grantee Loans; 14,239 Home Investment Partnership Program; 14.248 Community Development Block Grant-Section 108 Grantee Loans; 93:914 HIV Emergency Relief Project Grant –Ryan White; 93.926 – Health Start Initiatives-Great Expectations Program.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected  X   
Partially Corrected \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
(See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):  
The CNO has reestablished its independent monitoring of sub-recipients' fiscal and programmatic activities and is fully compliant.

Preparer's Signature: Jake Schuman-Harves  
Phone Number: 504 658-4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

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For the Year Ended December 31, 2008

Finding Title: Departmental Monitoring

Reference Number(s): 2005-02  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

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Page Number (from Single Audit Report): 31

CFDA Numbers and Program Name(s): 10.557 Special Supplemental Nutrition Program for Women Infants and Children; 14.218 – Community Development Block Grant; 14.239 Home Investment Partnership Program; 17.258 Workforce Investment Act-Adult; 17.259 Workforce Investment Act-Youth; 17.260 Workforce Investment Act-Dislocate Worker; 93.914 HIV Emergency Relief Project Grant-Ryan White; 93.926 Healthy Start Initiative-Great Expectations Program; 97.030 Special Community Disaster Loans; 97.036 Emergency Management-State and Local Assistance.

Federal Grantor Agency(ies): U.S. Department of Agriculture; U.S. Department of Housing and Urban Development; U.S. Department of Labor; U.S. Department of Health and Human Services; U.S. Department of Homeland Security.

Status of Finding (check one):

Fully Corrected	<u>  X  </u>	Not Corrected	<u>      </u>
Partially Corrected	<u>      </u>	No Further Action Needed	<u>      </u>
Change of Corrective Action	<u>      </u>	<small>{See OMB A-133 Section 315(b)(4)}</small>	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):  
The Management of the City of New Orleans has implemented internal controls to monitor  
departmental programmatic activities.

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Preparer's Signature: Julie Schwann Harris  
Phone Number: 504-658-4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Davis-Bacon Act

Reference Number(s): 2005-03  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

Page Number (from Single Audit Report): 34

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant; 14.239  
Home Investment Partnership Program.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected  X  Not Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_ No Further Action Needed \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has developed and implemented formal procedures for monitoring contractors for compliance with the Davis-Bacon Act and will adhere to the established procedures and strengthen internal control with regard to tracking construction activities subject to the provisions of the act.

Preparer's Signature: Julie Schwann Harris

Phone Number: 504-658-4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

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For the Year Ended December 31, 2008

Finding Title: Eligibility

Reference Number(s): 2005-04  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

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Page Number (from Single Audit Report): 36

CFDA Numbers and Program Name(s): 10.557 – Special Supplemental Nutrition Program For Women, Infants and Children; 14.239

Federal Grantor Agency(ies): U.S. Department of Agriculture

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	{See OMB A-133 Section 315(b)(4)}	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

Eligibility issues related to the WIC program has been resolved. The Management of the City of New Orleans will continue to use paper records on participants. Management will also utilize the State web based computer system called "PHAME" to further protect participants' eligibility records from being destroyed in the event of a disaster.

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Preparer's Signature:

*Julie Schwarm Harris*

Phone Number:

504 - 658 - 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Matching

Reference Number(s): 2005-05  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1998

Amount of Questioned Costs in Finding: \$ 539,264.00

Status of Questioned Costs (check one): Resolved  Unresolved:  N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
The Management of the City of New Orleans has confirmed eligible match.

Page Number (from Single Audit Report): 38

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):

Fully Corrected  Not Corrected   
Partially Corrected  No Further Action Needed   
Change of Corrective Action  {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The Management of the City of New Orleans has confirmed eligible match. General funds were used for match.

Preparer's Signature:

Jodie Schwarm Harris

Phone Number:

504 658-4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

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For the Year Ended December 31, 2008

Finding Title: Earmarking

Reference Number(s): 2005-06  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2001

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

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Page Number (from Single Audit Report): 40

CFDA Numbers and Program Name(s): 93.914 HIV Emergency Relief..

Federal Grantor Agency(ies): U.S. Department of Health and Human Services.

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	{See OMB A-133 Section 315(b)(4)}	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The AIDS statistics are provided to the CNO by the State.

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Preparer's Signature: Julie Schwann Harris

Phone Number: 504 658-4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Earmarking

Reference Number(s): 2005-07  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

Page Number (from Single Audit Report): 42

CFDA Numbers and Program Name(s): 17.259 Workforce Investment Act - Youth

Federal Grantor Agency(ies): U.S. Department of Labor

Status of Finding (check one):

Fully Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed  \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

This finding was resolved with the State Department of Labor.

Preparer's Signature: Julie Schwann Harris

Phone Number: 504 - 658 4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

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For the Year Ended December 31, 2008

Finding Title: Reporting

Reference Number(s): 2005-08  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

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Page Number (from Single Audit Report): 44

CFDA Numbers and Program Name(s): 10.557 Special Supplemental Nutrition Program for Women Infants and Children; 14.218 – Community Development Block Grant; 14.221 Urban Development Action Grants-Grantee Loans; 14.239 Home Investment Partnership Program; 14.248 Community Development Block Grant-Section 108 Grantee Loans; 17.258 Workforce Investment Act-Adult; 17.259 Workforce Investment Act-Youth; 17.260 Workforce Investment Act-Dislocate Worker; 93.914 HIV Emergency Relief Project Grant –Ryan White; 93.926 – Health Start Initiatives-Great Expectations Program; 97.030 Special Community Disaster Loans; 97.036 Emergency Management-state and Local Assistance.

Federal Grantor Agency(ies): U.S Department of Agriculture; U.S. Department of Housing and Urban Development; U.S. Department of Labor; U.S. Department of Health and Human Services; U.S. Department of Homeland Security

Status of Finding (check one):

Fully Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed   X    
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

Although it was late, the Management of the City of New Orleans submitted the completed data collection form and the single audit reporting package to the Legislative Auditor's office.

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Preparer's Signature: Julie Schwann Hesse

Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Sub-recipient Monitoring

Reference Number(s): 2005-09  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

Page Number (from Single Audit Report): 47

CFDA Numbers and Program Name(s): CFDA Numbers and Program Name(s): 14,218 - Community Development Block Grant; 14.221 Urban Development Action Grants-Grantee Loans; 14,239 Home Investment Partnership Program; 14.248 Community Development Block Grant-Section 108 Grantee Loans; 93.914 HIV Emergency Relief Project Grant -Ryan White; 93.926 - Health Start Initiatives-Great Expectations Program.

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected  X  Not Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_ No Further Action Needed \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has reestablished its independent monitoring of sub-recipients' fiscal and programmatic activities and is fully compliant.

Preparer's Signature: Julie Schwartz Parson

Phone Number: 504 658 4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

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For the Year Ended December 31, 2008

Finding Title: Departmental Monitoring

Reference Number(s): 2005-10  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

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Page Number (from Single Audit Report): 50

CFDA Numbers and Program Name(s): 10.557 Special Supplemental Nutrition Program for Women Infants and Children; 14.218 – Community Development Block Grant; 14.239 Home Investment Partnership Program; 17.258 Workforce Investment Act-Adult; 17.259 Workforce Investment Act-Youth; 17.260 Workforce Investment Act-Dislocate Worker; 93.914 HIV Emergency Relief Project Grant-Ryan White; 93.926 Healthy Start Initiative-Great Expectations Program; 97.030 Special Community Disaster Loans; 97.036 Emergency Management-State and Local Assistance.

Federal Grantor Agency(ies): U.S. Department of Agriculture; U.S. Department of Housing and Urban Development; U.S. Department of Labor; U.S. Department of Health and Human Services; U.S. Department of Homeland Security.

Status of Finding (check one):

Fully Corrected	<input checked="" type="checkbox"/>	Not Corrected	_____
Partially Corrected	_____	No Further Action Needed	_____
Change of Corrective Action	_____	(See OMB A-133 Section 315(b)(4))	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The Management of the City of New Orleans has implemented internal controls to monitor departmental programmatic activities.

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Preparer's Signature: Julie Schwarm Harrow

Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Other Monitoring

Reference Number(s): 2005-11  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2004

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

\_\_\_\_\_

Page Number (from Single Audit Report): 54

CFDA Numbers and Program Name(s): 14.218 Community Development Block Grant; 14.239 – Home Investment Partnership Program; 94.914 HIV Emergency Relief Project Grant-Ryan White

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected	_____	Not Corrected	_____
Partially Corrected	<u>  X  </u>	No Further Action Needed	_____
Change of Corrective Action	_____	{See OMB A-133 Section 315(b)(4)}	

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the City of New Orleans is continuing to pursue receipt of delinquent audit reports.

Preparer's Signature: Julie Behnam Harris  
Phone Number: 504 658-4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

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For the Year Ended December 31, 2008

Finding Title: Special Test and Provisions – On-Site Inspections

Reference Number(s): 2005-12

(from attached schedule of findings, may include more than one)

Initial Year of Finding: 1999

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

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Page Number (from Single Audit Report): 56

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development.

Status of Finding (check one):

Fully Corrected \_\_\_\_\_  
Partially Corrected   
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The CNO has not completed all required site-inspections.

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Preparer's Signature: Julie Schmitt-Harbo

Phone Number: 504 - 658 4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans  
For the Year Ended December 31, 2008

Finding Title: Subrecipient Monitoring

Reference Number(s): 2006-01  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

Page Number (from Single Audit Report): 28

CFDA Numbers and Program Name(s): 14.218 Community Development Block Grant; 14.221 Urban Development Action Grant-Grantee Loans; 14.221 Community Development Block Grant-Section 108 14.248; 93.914 HIV Emergency Relief Project Grant-Ryan White

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected  Not Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_ No Further Action Needed \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

In 2006, the Management of the City of New Orleans reestablished its independent monitoring of sub-recipients' fiscal and programmatic activities. Subrecipient monitoring was also conducted by the City's staff. Management completed all scheduled 2006 monitoring by December 31, 2007.

Preparer's Signature: Julie Schuman Davis  
Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans  
For the Year Ended December 31, 2008

Finding Title: Departmental Monitoring

Reference Number(s): 2006-02  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

Page Number (from Single Audit Report): 30

CFDA Numbers and Program Name(s): 14.218 - Community Development Block Grant;  
17.258 - Workforce Investment Act-Adult; 17.259 - Workforce Investment Act-Youth;  
17.260 - Workforce Investment Act-Dislocated Worker; 93.914 - HIV Emergency Relief Project  
Grant-Ryan White; 97.008 - Urban Areas Security Initiatives; 97.030 - Special Community  
Disaster Loans

Federal Grantor Agency(ies): U. S. Department of Housing and Urban Development; U.S.  
Department of Labor; U.S. Department of Health and Human Services; U.S. Department of  
Homeland security

Status of Finding (check one):

Fully Corrected  X  Not Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_ No Further Action Needed \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The Management of the City of New Orleans implemented internal control procedures to  
monitor departmental programmatic activities.

Preparer's Signature:

*Julie Schuman Harris*

Phone Number:

504 658-4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008  
Finding Title: Activities Allowed or Unallowed

Reference Number(s): 2006-03  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2006

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

Page Number (from Single Audit Report): 32

CFDA Numbers and Program Name(s): 97.036 Emergency Management – State and Local Assistance

Federal Grantor Agency(ies): U.S. Department of Homeland Security

Status of Finding (check one):

Fully Corrected \_\_\_\_\_  
Partially Corrected   X    
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

Three (3) of the five (5) transactions noted by the Independent Auditor have been approved and incorporated into a project worksheet. Management of the City of New Orleans will continue to work with FEMA on the remaining transactions.

Preparer's Signature:

*Julie Schumann Harris*

Phone Number:

304-658-4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Reporting

Reference Number(s): 2006-04  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

\_\_\_\_\_  
\_\_\_\_\_

Page Number (from Single Audit Report): 34

CFDA Numbers and Program Name(s): 14.218 - Community Development Block Grant; 14.221- Urban Development Action Grants-Grantee Loans; 14.248 - Community Development Block Grant - Section 108 Grantee Loans; 16.710 Public Safety Partnership and Community Policing; 17.258 - Workforce Investment Act-Adult; 17.259 - Workforce Investment Act-Youth; 17.260 - Workforce Investment Act-Dislocated Worker; Workforce Investment Act- Workforce Incentive Grant; 20.106 - Airport Improvement Program-New Orleans Aviation Board; 93.914 - HIV Emergency Relief Project Grant-Ryan White; 97.008 - Urban Areas Security Initiatives; 97.030 - Special Community Disaster Loans; 97.036 Emergency Management-State and Local Assistance

Federal Grantor Agency(ies): U. S. Department of Housing and Urban Development; U.S. Department of Justice; U.S. Department of Labor; U.S. Department of Transportation; U.S. Department of Health and Human Services; U.S. Department of Homeland security

Status of Finding (check one):

Fully Corrected   X   Not Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_ No Further Action Needed \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The report was submitted in December of 2007. In the future, the Management of the City of  
New Orleans will follow established procedures to ensure compliance with OMB Circular A-133.

Preparer's Signature:

*Julie Schmitt Harris*

Phone Number:

504 658 4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans  
For the Year Ended December 31, 2008

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Finding Title: Subrecipient Monitoring

Reference Number(s): 2006-05  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

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Page Number (from Single Audit Report): 37

CFDA Numbers and Program Name(s): 14.218 Community Development Block Grant; 14.221 Urban Development Action Grant-Grantee Loans; 14.221 Community Development Block Grant-Section 108 14.248; 93.914 HIV-Emergency Relief Project Grant-Ryan White

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected  Not Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_ No Further Action Needed \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

In 2006, the Management of the City of New Orleans reestablished its independent monitoring of sub-recipients' fiscal and programmatic activities. Subrecipient monitoring was also conducted by the City's staff. Management completed all scheduled 2006 monitoring by December 31, 2007.

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Preparer's Signature: Jubie Schwam Harris

Phone Number: 504 658-4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans  
For the Year Ended December 31, 2008

Finding Title: Departmental Monitoring

Reference Number(s): 2006-06  
(from attached schedule of findings, may include more than one)

Initial Year of Finding: 2005

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?  
Not Applicable

Page Number (from Single Audit Report): 40

CFDA Numbers and Program Name(s): 14.218 - Community Development Block Grant;  
17.258 – Workforce Investment Act-Adult; 17.259 – Workforce Investment Act-Youth;  
17.260 – Workforce Investment Act-Dislocated Worker; 93.914 – HIV Emergency Relief Project  
Grant-Ryan White; 97.008 – Urban Areas Security Initiatives; 97.030 – Special Community  
Disaster Loans

Federal Grantor Agency(ies): U. S. Department of Housing and Urban Development; U.S.  
Department of Labor; U.S. Department of Health and Human Services; U.S. Department of  
Homeland security

Status of Finding (check one):

Fully Corrected  Not Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_ No Further Action Needed \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_ {See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The Management of the City of New Orleans implemented internal control procedures to  
monitor departmental programmatic activities.

Preparer's Signature: Julie Schwam Harris

Phone Number: 504-658-4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Cash Management

Reference Number(s): 2007-01 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government? Are they still in negotiation?

Not Applicable

Page Number (from Single Audit Report): 29

CFDA Numbers and Program Name(s): 97.036 – Emergency Management-State and Local Assistance

Federal Grantor Agency(ies): U.S. Department of Homeland Security

Status of Finding (check one):

Fully Corrected \_\_\_\_\_  
Partially Corrected \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed     X      
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has implemented steps to correct the situation and  
implemented procedures to ensure compliance in the future.

Preparer's Signature: Julie Schramm Harris

Phone Number: 504 658-4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Davis-Bacon Act

Reference Number(s): 2007-02 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government? Are they still in negotiation?  
Not Applicable

Page Number (from Single Audit Report): 31

CFDA Numbers and Program Name(s): 14.239 - Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected  \_\_\_\_\_  
Partially Corrected \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO is adhering to established procedures and have strengthened internal controls with regard to tracking construction activities subject to the provisions of the Davis Bacon Act and monitoring contractors and/or subcontractors for compliance with the Davis -Bacon Act.

Preparer's Signature: Jule Schwan Harro

Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Earmarking

Reference Number(s): 2007-03 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$ 1,248,953

Status of Questioned Costs (check one): Resolved  Unresolved:  N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government? Are they still in negotiation?

Page Number (from Single Audit Report): 33

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected   
Partially Corrected   
Change of Corrective Action

Not Corrected   
No Further Action Needed   
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO has resolved this situation.

Preparer's Signature:

*Julie Schwann Harris*

Phone Number:

*504 658-4961*

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Reporting

Reference Number(s): 2007-04 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government? Are they still in negotiation?

\_\_\_\_\_

Page Number (from Single Audit Report): 35

CFDA Numbers and Program Name(s): 14.218 – Community Development Block Grant

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected \_\_\_\_\_  
Partially Corrected  X   
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO is still working on reconciling its records to reflect those of the Integrated Disbursement and Information System (IDIS) report of CDBG draw-downs.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Preparer's Signature: Julie Johnson Harris

Phone Number: 504 658 4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

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For the Year Ended December 31, 2008

Finding Title: Reporting

Reference Number(s): 2007-05 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

Page Number (from Single Audit Report): 37

CFDA Numbers and Program Name(s): 14.241 – Housing Opportunities for Persons with AIDS

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected \_\_\_\_\_  
Partially Corrected   
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO is still working toward reconciling the HUD Form 40110-Annual Progress Report to the applicable accounting record.

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Preparer's Signature: Julie Schwann Harris

Phone Number: 504-658-4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

For the Year Ended December 31, 2008  
Finding Title: Sub-recipient Monitoring

Reference Number(s): 2007-06 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$--0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

\_\_\_\_\_  
\_\_\_\_\_

Page Number (from Single Audit Report): 39

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected   
Partially Corrected \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO will ensure that all applicable Federal award information is  
Included in all contractual agreements.

Preparer's Signature: Julie Schwab

Phone Number: 504 658 4961

SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Sub-recipient Monitoring

Reference Number(s): 2007-07 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A X

Briefly describe the status of the Questioned Costs. Were they refunded to federal government? Are they still in negotiation?

Page Number (from Single Audit Report):

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program; 14.241 – Housing Opportunities for Persons with AIDS; 14.248 Community Development Block Grant; 93.914 – HIV Emergency Relief ( Ryan White)

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development; U.S. Department of Health and Human Services

Status of Finding (check one):

Fully Corrected \_\_\_\_\_
Partially Corrected X
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_
No Further Action Needed \_\_\_\_\_
(See OMB A-133 Section 315(b)(4))

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO will ensure that all delinquent audit reports are obtained.

Preparer's Signature: Julie Schumann Hasso
Phone Number: 504 658 4961

**SUMMARY SCHEDULE OF PRIOR FEDERAL AUDIT FINDINGS**

City of New Orleans

For the Year Ended December 31, 2008

Finding Title: Sub-recipient Monitoring

Reference Number(s): 2007-08 (from attached schedule of findings, may include more than one)

Initial Year of Finding: 2007

Amount of Questioned Costs in Finding: \$ -0-

Status of Questioned Costs (check one): Resolved \_\_\_\_\_ Unresolved: \_\_\_\_\_ N/A

Briefly describe the status of the Questioned Costs. Were they refunded to federal government?  
Are they still in negotiation?

Page Number (from Single Audit Report): 44

CFDA Numbers and Program Name(s): 14.239 – Home Investment Partnership Program

Federal Grantor Agency(ies): U.S. Department of Housing and Urban Development

Status of Finding (check one):

Fully Corrected   
Partially Corrected \_\_\_\_\_  
Change of Corrective Action \_\_\_\_\_

Not Corrected \_\_\_\_\_  
No Further Action Needed \_\_\_\_\_  
{See OMB A-133 Section 315(b)(4)}

Description of Status: (include corrective action planned and anticipated completion date, if applicable):

The management of the CNO is ensuring that subrecipients are administering Federal awards  
in compliance with laws, regulations and the provisions of contracts and grant agreements

Preparer's Signature: Julie Schwann Harris

Phone Number: 504 658 4961

**CITY OF NEW ORLEANS  
CORRECTIVE ACTION PLAN - AUDIT FINDINGS  
DECEMBER 31, 2008**

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/ PASS THROUGH AGENCY CONTACTED
<p>2008-01 Schedule of Expenditures of Federal Awards</p> <p>The Independent Auditors noted weaknesses in internal controls over financial reporting involving the accuracy, completeness and consistency surrounding the preparation of the Schedule of Expenditures of Federal Awards</p>	<p>The Management of the City of New Orleans will strengthen the internal control policies and procedures for the Schedule of Expenditures of Federal Awards to ensure the accurate and timely preparation of the Schedule.</p>	<p>Dec. 31, 2009</p>	<p>Reginald Zeno Director, Finance</p>	<p>All Federal Awards</p>
<p>2008-02 Eligibility</p> <p>The Independent Auditors were unable to review documentation to independently determine that the certified eligible participants selected met the established income standard or were automatically income-eligible.</p>	<p>The Management of the City of New Orleans will establish procedures to require retention of documentation provided by applicants utilized in determining applicant eligibility.</p>	<p>Nov. 30, 2009</p>	<p>Dr. Kevin Stephens Director, Health</p>	<p>DOA</p>
<p>2008-03 Equipment and Real Property Management</p> <p>The Independent Auditors did not note any evidence that a physical inventory of equipment was taken at least once in the last two (2) years.</p>	<p>The Management of the City of New Orleans will conduct physical inventories as required by Federal Regulation and maintain evidence of the physical inventory.</p>	<p>No further action needed completed May 2009</p>	<p>Austin Penny Chief Operating Officer, ORDA</p>	<p>HUD</p>
<p>2008-04 Reporting</p> <p>The Independent Auditors noted un-reconciled differences between CDBG expenditures and draw-downs per IDIS versus CDBG expenditures and draw-downs per accounting records.</p>	<p>The Management of the City of New Orleans will reconcile its records to reflect those of the Integrated Disbursement and Information System (IDIS) report of CDBG draw-downs and strengthen the procedures regarding accuracy of amounts reported in IDIS.</p>	<p>June 30, 2010</p>	<p>Reginald Zeno Director, Finance</p>	<p>HUD</p>

AUDIT FINDINGS	PROPOSED CORRECTIVE ACTION	ANTICIPATED COMPLETION DATE	CONTACT PERSON	FEDERAL/ PASS THROUGH AGENCY CONTACTED
<p>2008-05 Matching, Level of Effort, Earmarking</p> <p>The Independent Auditors noted that the Management of the City of New Orleans has not fully documented compliance with the HOME matching requirement of 12.5 percent (\$358,231) of HOME funds drawn down (\$2,865,851) during the year ended December 31, 2008.</p>	<p>The Management of the City of New Orleans will strengthen its internal control policies and procedures to ensure that all matching funds are properly reported, tracked and monitored in accordance with the HOME program compliance requirements.</p>	Mar. 31, 2010	Austin Penny Chief Operating Officer, ORDA	HUD
<p>2008-06 Reporting</p> <p>The Independent Auditors were unable to agree expenditure financial data in the Annual Progress Report to the accounting records or other supporting documentation.</p>	<p>The Management of the City of New Orleans will ensure that the financial data contained in the HUD Form 40110 - Annual Progress Report will be prepared from or reconciled to the applicable accounting records.</p>	Sept. 30, 2009	Austin Penny Chief Operating Officer, ORDA	HUD
<p>2008-07 Activities Allowed or Unallowed</p> <p>The Independent Auditors noted weaknesses in internal control as it pertains to the classification and identification of Federal Emergency Management Agency (FEMA) funds.</p>	<p>The Management of the City of New Orleans has hired an accounting firm with FEMA accounting experience to manage FEMA fund accounting. The firm's expertise will help the City to strengthen the internal control policies and procedures to ensure the proper identification and classification of FEMA grant eligible expenditures.</p>	No further action needed	Reginald Zeno Director, Finance	FEMA
<p>2008-08 Cash Management</p> <p>The Independent Auditors noted that the interest earned on advances from FEMA-State and Local Assistance funds were not being submitted promptly or on a quarterly basis.</p>	<p>The Management of the City of New Orleans will submit interest earned on advances on a quarterly basis as required by Federal regulations.</p>	No further action needed	Reginald Zeno Director, Finance	DHS
<p>2008-09 Reporting</p> <p>The Independent Auditors noted weaknesses in internal controls over financial reporting involving the accuracy, completeness and consistency surrounding the preparation of the Schedule of Expenditures of Federal Awards.</p>	<p>The Management of the City of New Orleans will strengthen the internal control policies and procedures for the Schedule of Expenditures of Federal Awards to ensure the accurate and timely preparation of the Schedule.</p>	Dec. 31, 2009	Reginald Zeno Director, Finance	All Federal Awards